



Financial Analysis  
of CongoLeum

**Expert Report of Professor Israel Shaked**  
**July 9, 2004**

## **Scope of Engagement and Qualifications**

1. I was asked to analyze the overall financial conditions of Congoleum Company (“Congoleum” or “Company”), including its solvency, capital adequacy, and its ability, as a going concern, to pay its debts. I was also asked to analyze the Company Note to be issued by Congoleum to the Asbestos Trust (the “Company Note”).

2. I am a Professor of Finance and Economics at Boston University’s School of Management in Boston, Massachusetts. In the last 26 years, I have taught courses at the graduate and undergraduate levels on various topics, including business valuation, corporate finance and financial economics. For 19 years I was the Director of the Boston Chartered Financial Analysts (CFA) Examination Review Program, a three-level program preparing investment professionals for a series of examinations leading to a worldwide certification by the Association for Investment Management and Research (AIMR). I am also a contributing editor to the American Bankruptcy Institute (ABI) Journal.

3. I have provided consulting, valuation, litigation, investments, and investment banking services to companies worldwide on a wide range of issues including investment analysis, economic analysis, modeling, corporate finance, solvency, marketing, general management, accounting, capital market financial analysis and other issues. I have delivered hundreds of seminars to senior corporate executives in North and South America, Europe and Asia and to law firms nationwide. I have also acted as a consultant to numerous governmental agencies including the Securities Exchange Commission (SEC), the Internal Revenue Service (IRS), the Department of Labor, Pension Benefit Guarantee Corporation (PBGC) and the Commonwealth of Massachusetts. As cofounder and Managing Director of the Michel-Shaked Group, I have extensive experience working for law firms nationwide on litigation analysis and expert witness work on various topics including damages, valuation, economic analysis, investments, antitrust, statistics, bankruptcy, preference, fraudulent conveyance, investments, securities, intellectual property, employment, taxation, derivatives, accounting, insider trading, investment banking, real estate, insurance, and health care. I have testified before the U.S.

Congress' House Ways and Means Committee on the issues of leveraged buyouts, acquisitions and taxation.

4. I have been retained as an expert or consultant on the analysis of financial distress/solvency in several cases including: American Chain Link Fence, Belle Casinos, Builders Square, Cascade International, Executive Life Insurance, FoxMeyer Corporation, Hechinger Company, Jones Truck Lines, MGM/UA Communications, M4 Environmental L.P., Merry-Go-Round Enterprises, Morse Tool, Munford (d.b.a. Majik Market), Quadrax Corporation, The Shaw Group, UNIFI Communications, Vencor, Wieboldt Stores, Zenith Electronics, and Zurich Insurance Company (Home Insurance division).

5. I have worked in the field of finance in the steel and chemicals industries, and as a consultant for numerous high technology companies, financial institutions, manufacturing, service and several investing groups actively involved in general investments, mergers and acquisitions and LBOs. I have performed economic and financial analyses of numerous companies covering a wide range of industries including aerospace and defense, auto and truck, basic materials, business services, capital goods, communications/networking, consumer products, distribution, electronics, energy, engineering and construction, entertainment, financial services, food and beverage, gaming/casinos, health care services and products, home improvement, imaging, insurance, leisure and hospitality, manufacturing, personal and household products, personal services, pharmaceuticals, real estate, recreational products, restaurants, retail, semiconductors, services, software and programming, technology, tobacco, transportation and utilities.

6. My research covers several areas including valuation, financial distress, solvency, preferences, fraudulent conveyance, bankruptcy, LBOs, investments, mergers and acquisitions, economic and corporate structure analysis, corporate financial decisions, investment analysts, and capital markets. As shown in Exhibit 1, I have published extensively on these subjects in leading journals such as the Financial Analysts Journal, the Financial Review, the Journal of Business Finance and Accounting, Journal of Corporate Finance, Journal of Portfolio

Management, The Financier, Journal of Money, Credit and Banking, Financial Management, American Bankruptcy Institute Journal, and Strategy and Business.

7. I have a Doctor of Business Administration (DBA) from the Harvard Graduate School of Business Administration. In addition, I have a Bachelor of Arts in Economics and a Bachelor of Arts in Statistics from the Hebrew University of Jerusalem. I also have a Masters in Business Administration (MBA) with a concentration in Finance from the Hebrew University of Jerusalem.

8. In accordance with recognized professional ethics, my professional fees for this service are not contingent upon the opinion expressed herein. My time on this matter is billed at the rate of \$575 per hour. My curriculum vitae is attached as Exhibit 1. My expert witness experience is attached as Exhibit 2. A summary of valuation experience is included as Exhibit 3. The list of data and other documents I considered in performing this analysis is attached as Exhibit 4.

#### **Summary of Opinion**

9. It is my opinion that Congoleum is solvent, is not financially distressed, and can repay its debts as they become due. Further, it is my opinion that the fair market value of the Company Note to be issued to the Asbestos Trust is not significantly higher than its stated face value. My opinions are based on several things, including my experience in evaluating the solvency, capital adequacy and financial health of companies, my experience in valuation of securities, my education, the data and documents I considered in this matter, and numerous analyses I have performed including the ones described in the following paragraphs. I relied largely upon documents available in the public domain and I had virtually no access to internally prepared documents such as complete auditor's working papers, internally prepared documents regarding related party transactions, projections, and business plans.

10. In reaching my opinion on Congoleum, I performed several analyses, including the following:

- Analysis of Congoleum's market position, trends in the industry in which it operates, historical performance and expected performance.
- Analysis of short selling of Congoleum's stock.
- Analysis of the performance of Congoleum's stock.
- Solvency analysis of Congoleum.
- Capital adequacy analysis for Congoleum.

11. In support of my opinion, I also performed several analyses on American Biltrite, Inc. ("ABI"), including the following:

- Analysis of ABI's market performance, ownership and relationship to Congoleum.
- Solvency analysis of ABI, excluding the impact of its holdings of Congoleum.
- Capital adequacy analysis for ABI, excluding the impact of its holdings of Congoleum.

12. In support of my opinion of the Company Note, I performed analyses on its expected payoffs including the following:

- Analysis of post confirmation performance of Prepackaged Chapter 11 filing entities.
- Analysis of the expected payoffs to the noteholder.

#### **Analysis of Congoleum Company**

13. In reaching my conclusions, I considered numerous factors about Congoleum's solvency and its ability to pay obligations as they become due. Among these factors are Congoleum's history of improvement, even in a difficult economic period, its

historical financial performance, its expected future financial performance, the performance of its stock, and the performance of its publicly traded debt.

#### Congoleum's Sales Have Remained Strong Despite an Economic Downturn in Key Markets

14. A high percentage of Congoleum's sales are in the manufactured housing industry. In 2003, Congoleum's net sales to one distributor serving the manufactured home sector accounted for 24% of the Company's net sales (for example, see Exhibit 5). At least 24% of Congoleum's sales are dependent on the health of the manufactured housing industry. Congoleum's other segments are strongly linked to residential housing building and remodeling.

15. Since 2000, the number of units shipped in the manufactured housing industry has decreased dramatically from 250.4 thousand in 2000 to 130.9 thousand in 2003, a decrease of 47.7% (for example, see Exhibit 6). Despite this decline, Congoleum's sales from 2000 to 2003 remained relatively constant, \$219.6 million in 2000 and \$220.7 million in 2003.

#### Congoleum Adopted a Long-term Strategy of New Product Development and Introduction

16. In late 2002, new products, DuraStone and Ultima, were introduced. The positive impact on sales was noted in 2002 and 2003 and expected to continue into the future. Additionally, Congoleum has continued new product development and is planning on introducing more new products in late 2004 (for example, see Exhibit 7). In the past, Congoleum's strategy of continuous development has had positive long-term impacts, as demonstrated by the success of the Ultima and DuraStone products introduced in 2002.

#### Congoleum's Image and Brand Name

17. Congoleum is considered a leader in its industry and has high, favorable brand name recognition (for example, see Exhibit 8).

### Congoleum Has a History of Financial Improvement

18. Throughout the first half of 2002, Congoleum demonstrated numerous areas of positive financial performance including but not limited to the following:

- Increased net sales for the first quarter of 2002 compared to the first quarter of 2001.
- Decline in net loss for the first quarter 2002 compared to the first quarter of 2001.
- Increased net sales for the second quarter of 2002 compared to the second quarter of 2001.
- Improvement in net income for the second quarter 2002 compared to the second quarter of 2001.
- Increased net sales for the first six months of 2002 compared to the first six months of 2001.
- Reporting net income for the first six months of 2002 compared to a loss in the first six months of 2001.

These achievements in financial performance (for example, see Exhibit 9) were accomplished throughout a period of general economic weakness and downturns in Congoleum's industry.

19. Over this same period (early 2002), Congoleum had undertaken a program of cost cutting and financial improvement that included price increases, cost reductions and reduced level of capital requirements, from which it expected to benefit in the future (for example, see Exhibit 10). These efforts led to continued improvements in the later half of 2002, throughout 2003 and in the first quarter of 2004.

20. Congoleum's financial performance further strengthened throughout the second half of 2002, demonstrating improvements in key areas, such as sales and net profit (for example, see Exhibit 11).

21. Despite the difficult economic environment for the industry in 2003, Congoleum continued its successful program of cost reductions. These efforts are expected to

continue benefiting the company in 2004 (for example, see Exhibit 12). Specifically, Congoleum expects several financial improvements resulting from its initiatives, including:

- A 14% workforce reduction, generating savings of over \$7 million.
- A manufacturing waste reduction initiative generating savings of \$3.5 million.
- A reduction of \$3 million in operating expenses.
- A 3% price increase.

22. Congoleum's financial performance and cost cutting efforts in 2003 have resulted in a situation in which Congoleum is expected to prosper in 2004 and beyond. Moreover, some of the economic factors that had previously created a difficult environment for Congoleum are expected to change in the near future. Congoleum's management, namely its Chairman of the Board and President, Roger Marcus, was extremely positive in his comments about Congoleum's future expectations (for example, see Exhibit 13).

23. First quarter results for 2004 are extremely positive, with gross profit and operating income demonstrating improvements over the first quarter of 2003. Furthermore, sales in the manufactured housing segment have increased in the first quarter of 2004. Congoleum has continued to benefit from its cost cutting efforts and experienced a decrease in selling, general and administrative costs as a percentage of sales. Moreover, Congoleum's cash position improved and the Company stated that its sources of cash were adequate to fund its operations into the foreseeable future (for example, see Exhibit 14).

#### Congoleum's Recent Financial Performance

24. Despite having recently weathered a period of time marked by a decline in the manufactured housing market and a decline in the general economy, Congoleum's overall financial performance over the past few years has been favorable.

- The Company's annual sales have trended slightly upward from \$219.6 million in 2000 to \$220.7 million in 2003 (for example, see Exhibit 15). One would typically expect notable downward trends in the sales of a severely distressed company.



- Congoleum's gross profit (net sales less cost of goods sold) has also trended upward in the recent past from \$49.2 million in 2000 to \$53.8 million in 2003 (for example, see Exhibit 16). As a percentage of sales, Congoleum's gross margin has also demonstrated improvement, increasing from 22.4% in 2000 to 24.4% in 2003. Rather than exhibiting shrinking margins, Congoleum exhibited margins indicative of improvement. This is not what one would expect from a severely distressed company.
- Earnings before interest and taxes ("EBIT") has improved from 2000, when Congoleum's EBIT (adjusted for asbestos charges) was negative \$3.2 million, negative 1.5% of net sales. Congoleum's EBIT prior to asbestos-related charges for 2003 was positive \$636 thousand, .3% of net sales (for example, see Exhibit 17). In each year after 2000, Congoleum has reported positive EBIT (adjusted for asbestos charges). Though the 2003 EBIT was lower than Congoleum's EBIT in 2001 and 2002, if Congoleum were, in fact, severely distressed, one would not expect that the Company would exhibit positive EBIT over the recent past.
- The Company's debt levels have remained virtually static from 2000 to 2003. The debt at 2000 was \$99.6 million and by the end of 2003, debt was \$110.0 million. As of March 31, 2004, the latest financial data available, debt on Congoleum's book was \$111.2 million (for example, see Exhibit 18). One would expect a company under severe financial distress to have accumulated notable levels of incremental debt. However, Congoleum has not.

25. Congoleum did not make any draws on its revolving line of credit throughout 2002. This was noted during the periodic reviews Congress Financial, the provider of the Company's line of credit, conducted of Congoleum. This fact was further noted during the deposition of Robert Strack of Congress Financial. A company experiencing financial distress would typically be expected to fully utilize its line of credit. Remarkably, even after declaring

bankruptcy, Congoleum has not fully utilized the available limits on its line of credit (for example see Exhibit 19).

#### Congoleum's First Quarter of 2004 Performance

26. Expectations of Congoleum's continued financial improvements noted at the end of 2003, indeed were realized in the first quarter of 2004.

- The gross profit for the first quarter of 2004 was \$13.6 million, 26.1% of net sales (for example, see Exhibit 20). This marks an improvement over the same quarter last year when the gross profit was only \$12.7 million, or 23.6% of net sales.
- Congoleum's efforts to reduce costs are also continuing to generate favorable results for the Company. Selling, general and administrative expense for the first quarter of 2004 was \$12.0 million, or 23.0% of net sales. This figure has declined in terms of total cost and as a percentage of sales from the levels noted for the first quarter of 2003, \$13.2 million and 24.6% of net sales (for example, see Exhibit 21).
- For the first quarter of 2003, Congoleum's earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$2.4 million (4.4% of net sales). In the first quarter of 2004, Congoleum's EBITDA increased to \$4.5 million, or 8.6% of net sales (for example, see Exhibit 22).
- In the first quarter of 2004, Congoleum's EBIT was \$1.6 million, 3.0% of net sales compared to negative \$536 thousand, negative 1.0% of net sales for the first quarter of 2003 (for example, see Exhibit 23).

27. Clearly a company experiencing severe financial distress is not expected to exhibit continued improvements in gross profits, gross and operating margins and cost reductions. One would not expect an 87% improvement in EBITDA of a company that is severely distressed. Furthermore, if Congoleum would have experienced severe financial distress, it is highly unlikely that it would have reversed a negative EBIT into a positive EBIT.

### Analysis of Short Selling

28. One methodology to evaluate changes in the market's risk perception regarding a specific company is to analyze the percentage of a company's shares that are sold short by investors. Briefly, a short seller sells the stock that he/she does not own, expecting to profit when the stock price declines. Thus, a short seller is entering into a short position with the expectations that the company's stock price will decline. If Congoleum's financial viability would be in doubt, one would expect short selling of its shares to continuously increase. As indicated in Exhibit 24, in the four-month period prior to June 14, 2004 (the most recent publicly available data), the short selling position for Congoleum remained virtually static at approximately 1,000 shares on both February 9, 2004 and May 10, 2004. Moreover, this represents only 0.012% of the outstanding shares of Congoleum's common stock. If one hypothetically accepts the notion that the financial viability of Congoleum is in doubt, one would have expected a significant increase in the short selling of Congoleum's shares and a higher level of short interest outstanding. The data does not support the financial distress hypothesis.

### Analysis of Congoleum's Stock Performance

29. Congoleum's stock has outperformed the S&P 500 and its market capitalization has steadily trended upward in 2004.

30. Following the filing of the pre-packaged Chapter 11 bankruptcy on December 31, 2003, Congoleum's stock price began trending upward. It is interesting to note that from December 31, 2003 to the end of May 2004, Congoleum's stock price increased from \$0.68 per share to \$2.25 per share, a 230.9% increase. In fact, Congoleum's stock has outperformed the S&P 500. Specifically, had an investor made a \$100 investment in the S&P 500 index on December 31, 2003, that investment would have grown to \$101.47 by May 31, 2004. A \$100 investment in Congoleum, conversely, would have more than tripled and grown to \$330.88 (see Exhibit 25).

31. Congoleum has also outperformed the S&P 500 over a longer time frame. For example, on December 31, 2002 Congoleum's stock price was \$0.42 per share and increased

to \$2.25 per share by May 31, 2004. Had an investor made a \$100 investment in the S&P 500 index on December 31, 2002, that investment would have grown to \$130.58 by May 31, 2004. A \$100 investment in Congoleum, conversely, would have increased to more than 5 times the initial investment, to \$535.71 (for example, see Exhibit 26).

32. Using an even longer time frame, the results are the same; Congoleum's stock outperforms the S&P 500. For example, consider the period from December 31, 2001 until the end of May 2004. On December 31, 2001 Congoleum's stock price was \$1.65 per share and it increased to \$2.25 per share by May 31, 2004. Had an investor made a \$100 investment in the S&P 500 index on December 31, 2001, that investment would have remained virtually unchanged and would have only grown to \$101.77 by May 31, 2004. A \$100 investment in Congoleum, conversely, would have increased by 36.4% and grown to \$136.36 (for example, see Exhibit 27).

33. In addition, Congoleum's market capitalization has grown from \$13.6 million on December 31, 2001 to \$18.6 million on May 31, 2004 (see Exhibit 28). It is unreasonable to expect the stock of a company with its financial viability in question to exhibit such a level of performance in the stock market.

34. Each of the above factors demonstrates that Congoleum is not a company in severe financial distress. It was able to weather economic downturns, has been able to generate financial improvements, and has positive future expectations:

- Congoleum is frequently depicted as a leader in the business segments in which it operates.
- Congoleum's future financial performance is expected to be favorable.
- Short selling of Congoleum's stock remains constant and represents a very small portion of shares outstanding.
- Congoleum's stock has outperformed the market.

### **Congoleum Solvency Analysis**

35. In order to determine whether or not Congoleum has positive equity value, I performed analyses of Congoleum's solvency. In conducting these analyses, I considered the following valuation approaches:

- Comparable company multiples ("CompCo") valuation based on historical revenue and EBITDA.
- Comparable merger and acquisition transaction multiples ("CompM&A") valuation based on historical revenue and EBITDA.
- Discounted cash flows valuation based on management's projections, including alternative scenarios and projections noted as being made by SSG.

#### Comparable Company Multiples

36. I prepared an analysis of Congoleum's solvency using CompCo multiples of revenue and EBITDA. Valuation professionals frequently use this methodology. My conclusion after performing analyses using this methodology is that Congoleum is clearly solvent and has a significant positive equity value.

37. Under this methodology, a group of comparable peer companies was selected for which I first computed the business enterprise value ("BEV") and then I computed multiples of BEV-to-revenue and BEV-to-EBITDA. I selected comparable peer companies for Congoleum as described in Exhibit 29.

38. From this list of comparable companies, I constructed CompCo multiples based on the ratio of BEV-to-revenue for each of the comparable companies. I multiplied the median CompCo revenue multiple by Congoleum's revenue for the latest twelve month ("LTM") period ending March 31, 2004, resulting in a BEV for Congoleum of \$220.5 million (see Exhibit 30). From this BEV, I subtracted Congoleum's interest bearing debt of \$111.2 million reported on its balance sheet at March 31, 2004. The \$109.3 million result is the fair market value of Congoleum's equity.

39. Following the same methodology, I computed the value of Congoleum's equity using CompCo EBITDA multiples. I constructed CompCo multiples based on the ratio of BEV-to-EBITDA for each of the comparable companies. I multiplied the median CompCo EBITDA multiple by Congoleum's EBITDA for the latest twelve month period ending March 31, 2004, resulting in a BEV for Congoleum from which I subtracted Congoleum's debt. The resulting equity fair market value for Congoleum is \$40.9 million (See Exhibit 30). Clearly, Congoleum is solvent, even after deducting from its enterprise value its outstanding debt.

40. In sum, the fair market value of Congoleum's equity based upon the two CompCo analyses is positive. Specifically, the equity for Congoleum ranges from \$40.9 to \$109.3 million depending on the type of CompCo analysis performed. It is absolutely unreasonable to consider any company with an equity value in excess of \$40.9 million to be insolvent.

#### Comparable Merger and Acquisition Transaction

41. I prepared an analysis of Congoleum's solvency using CompM&A multiples of revenue and EBITDA. Valuation professionals frequently use this methodology. My conclusion after performing analyses using this methodology is that Congoleum is clearly solvent and has a significant positive equity value.

42. Under this methodology, comparable peer company merger and acquisition transactions are selected for which I obtain multiples of BEV-to-revenue and BEV-to-EBITDA. In this particular instance, there was only one suitable transaction upon which to base my valuation. I selected the comparable transaction for Congoleum as described in Exhibit 31.

43. For this transaction, I multiplied the CompM&A revenue multiple by Congoleum's revenue for the LTM period ending March 31, 2004, resulting in a BEV for Congoleum of \$350.6 million (see Exhibit 32). From this BEV, I subtracted Congoleum's interest bearing debt of \$111.2 million reported on its balance sheet at March 31, 2004. The \$239.4 million result is the fair market value of Congoleum's equity.

44. Following the same methodology, I computed the value of Congoleum's equity using the CompM&A EBITDA multiple. I obtained the CompM&A multiple based on the ratio of BEV-to-EBITDA for the comparable transaction. I multiplied the CompM&A EBITDA multiple by Congoleum's EBITDA for the latest twelve month period ending March 31, 2004, resulting in a BEV for Congoleum, from which I subtracted Congoleum's debt. The resulting fair market value of Congoleum's equity is \$19.0 million (See Exhibit 32). Clearly, Congoleum is solvent, even after deducting from its enterprise value its outstanding debt.

45. In sum, the fair market value for Congoleum's equity based upon the CompM&A analyses is positive. In fact, the equity for Congoleum ranges from \$19.0 to \$239.4 million depends on the specific CompM&A analysis performed. Though having only one transaction in the M&A sample is a limitation, it is unreasonable to consider any company with an equity fair market value in this range to be insolvent.

Discounted Cash Flows - Based on Management's Commentary in its Press Release

46. A formal set of projections for Congoleum was not available. In lieu of this, I have based my DCF analysis on Congoleum's historical performance and adjusted it to account for management's published expectations of future performance.

47. The DCF approach is widely used by valuation professionals. In this approach, the projected debt free cash flows for the company are derived and discounted back to the valuation date using the company's weighted average cost of capital ("WACC"). In its press release dated March 11, 2004, Congoleum stated that it had implemented several financial improvement measures including price increases, labor cost reductions, waste reductions, and operating expense reductions. My DCF valuation is based upon projections for 2004 through 2008 that incorporate management's expected fiscal improvements as stated in its March 11, 2004 press release.

48. Robert Strack of Congress Financial, the company providing Congoleum's line of credit, indicated in his deposition that he had no reason to doubt the reliability or accuracy of management's figures (for example, see Exhibit 33).

49. To compute EBIT, I prepared projected Statements of Income, incorporating a 3.1% growth in sales and an operating expense margin that incorporates management's published expectations of fiscal performance. From the EBIT, I subtracted the annual interest expense of \$8.9 million and then applied a tax rate of 36.4% (as cited in Congoleum's 10-K for the year ended December 31, 2003). This results in Congoleum's projected net income for the period 2004 through 2008 (for example, see Exhibit 34).

50. In order to compute Congoleum's projected debt-free cash flows, projected net income for each year must be adjusted to add back after-tax interest expense, add back depreciation and amortization, add/subtract any decrease/increase in working capital, and subtract capital expenditures. I calculated the after-tax interest expense based on the stated interest expense of \$8.9 million and a tax rate of 36.4%. To compute each of the other required adjustments, I used the median ratio of that figure to sales for Congoleum over the past 5 years. For example, capital expenditures as a percentage of sales ranged from 2.1% to 7.7% over the past 5 years. The median figure was 3.6%. In computing the projected capital expenditures, I multiplied each year's projected sales by 3.6%. Refer to Exhibit 35 for these computations. The resulting projected debt free cash flows for Congoleum were:

- \$29.5 million for 2004,
- \$17.3 million for 2005,
- \$17.8 million for 2006,
- \$18.3 million for 2007, and
- \$18.9 million for 2008.

51. I also incorporated a terminal value for Congoleum to account for the value of the cash flows the company would earn after 2008. The terminal value in my analysis is based upon the WACC (see Exhibit 36) for Congoleum (12.0%) and an assumed long-term growth rate of 3.1%, which is consistent with the expected long-run rate of inflation. I computed the net present value of the debt free cash flows, including the terminal value, resulting in a BEV for Congoleum of \$211.0 million (see Exhibit 35). From this figure, I subtracted Congoleum's



interest bearing debt of \$111.2 million, resulting in a value for of \$99.8 million for the fair market value of Congoleum's equity.

DCF – Sensitivity Analysis of Management's Projections

52. I also prepared a DCF valuation for Congoleum under an alternate scenario. Under this alternative scenario, I assumed that only some of the financial improvements management projected in the March 22, 2004 press release would be fully realized, namely the price increase and the labor reduction. All other assumptions were held constant as previously described. In this alternate and hypothetical scenario, my DCF valuation indicates a BEV for Congoleum of \$160.4 million and an equity value of \$49.1 million (for example see Exhibit 37). Thus, even when an alternate scenario that drastically reduces management's expected fiscal improvements is considered, Congoleum has significant positive equity.

DCF – Based on Handwritten Notes Marked as "Meeting w/SSG Advisors"

53. I was also provided with documents that were a series of handwritten notes marked as "Meeting w/SSG Advisors" (Bates nos. LT001127 – 1132). Projections for a sales growth rate and an EBIT margin were included in these notes. I used the sales growth rates from the notes to project net sales for 2004 – 2008. I also applied the EBIT margins stated in the handwritten notes to compute EBIT. I calculated the projected debt-free cash flows for 2004 – 2008 and a terminal value as described previously using the same historically-based assumptions. The resulting BEV for Congoleum using these "SSG" projections was \$126.3 million and the estimated fair market value of Congoleum's equity was \$15.1 million (for example, see Exhibit 38). Thus, even when projections that do not appear to consider management's expectations of future fiscal improvement are used, Congoleum has a significant positive fair market value of equity.

54. In sum:

- Congoleum Company is clearly solvent and has a significantly positive enterprise value in excess of its debts.

### **Capital Adequacy of Congoleum**

55. I performed an analysis to determine whether or not Congoleum is adequately capitalized and could pay its future obligations as they become due. Based upon my analysis, Congoleum is adequately capitalized to meet its obligations as they become due.

56. In addition to Congoleum's free cash flows, several other sources of funds beyond free cash flows are available to Congoleum for payment of debts, including cash on hand at the beginning of the period, available lines of credit, and factoring of receivables. In other words, Congoleum could draw on existing lines of credit, and factor its accounts receivable to generate significant additional sums of cash. My analysis is conducted without considering these additional potential sources of cash that would provide even greater resources for the Company's use.

57. My capital adequacy analysis began with projected net income in order to compute projected free cash flows. To projected net income, I added back depreciation and amortization, subtracted/added increases/decreases in working capital and subtracted projected capital expenditures to compute projected free cash flows after debt service (see Exhibit 39).

The free cash flows for Congoleum are as follows:

- \$23.8 million for 2004,
- \$11.6 million for 2005,
- \$12.1 million for 2006,
- \$12.7 million for 2007, and
- \$13.2 million for 2008.

58. Congoleum's Senior notes are due in 2008. In my analysis, I assumed that this debt would be refinanced under similar terms at that time. Given the levels of cash flows Congoleum is projected to generate, it is reasonable to assume that the Company would be able to refinance this debt in 2008. This assumption is reasonable, and shared by Robert Strack of Congress financial, the provider of Congoleum's line of credit. Mr. Strack further states in his

deposition that he has not expressed doubt as to Congoleum's ability to repay its borrowings from Congress Financial or its ability to roll over its bonds (for example, see Exhibit 40).

59. Congoleum is adequately capitalized and can meet its debt service as it becomes due and can generate substantial levels of cash.

- Given the amounts of cash projected at the end of each period, even considering payment of interest on its existing debt, it is absolutely unreasonable to consider the notion that Congoleum cannot pay its obligations as they become due.

#### **Analysis of American Biltrite**

60. I have also analyzed the capital adequacy of American Biltrite, Inc. ("ABI"). I have not been asked to and do not submit a legal opinion as to whether or not ABI has an obligation to provide additional financial resources to Congoleum in the future. My analysis is based on a hypothetical assumption that ABI is so obligated.

#### ABI's Control of Congoleum

61. ABI has voting control of Congoleum. From 2000 through 2003, ABI has held a significant portion (69.5%) of the voting control of Congoleum (for example, see Exhibit 41).

#### ABI and Congoleum Share Key Executives

62. Several key executive positions at Congoleum are held by the exact same parties at ABI. These officers include Chief Executive Officer, Chairman, and Chief Financial Officer. Moreover, the CFO for ABI also serves as the Secretary for Congoleum. The brother of the CEO/Chairman of ABI and Congoleum serves as the President and Chief Operating Officer of ABI and the Vice Chairman of Congoleum (for example, see Exhibit 42).

### Intercompany Transactions Between ABI and Congoleum

63. There are numerous transactions between the two companies including raw material purchases and management agreements. I have not been provided any potentially useful documents, such as auditor's working papers that would permit a meaningful analysis of any of these transactions or the determination that each material transaction between ABI and Congoleum is a bona fide arm's length transaction.

64. Congoleum's operations form a substantial percentage of ABI's total operations. Congoleum's revenues account for 53.0% of ABI's total revenues. Congoleum's EBITDA accounts for 54.0% of ABI's total EBITDA (for example, see Exhibit 43). Clearly, the relationship between the two companies is very close and interrelated.

65. The value of Congoleum is a significant proportion of ABI's value. Under certain valuation methodologies, given ABI's majority holding of the value and voting control of Congoleum, one has to add a control premium to the prorated value of the portion of Congoleum owned by ABI.

### **Capital Adequacy of ABI**

66. I performed an analysis to determine whether or not ABI was adequately capitalized and could pay liabilities in the future as they become due. In conducting my analysis, I formed projections for ABI excluding the impact of Congoleum's operations. My conclusions as to the capital adequacy for ABI indicate that:

- ABI excluding Congoleum is adequately capitalized, expected to be able to pay its obligations in the future as they become due, and expected to generate additional free cash flows beyond these levels.

67. I prepared the analysis of capital adequacy for ABI by following the same methodology I employed in analyzing the capital adequacy for Congoleum. I began with the

2003 ABI only net sales. Using a growth rate of 3.1% per year, I projected net sales for 2004 – 2008.

68. I projected gross profit, and selling, general and administrative expenses by using the median historical levels as a percentage of sales for ABI for the past 3 years. ABI's financial statements did not provide an adequate level of detail to employ more than three years of historical analysis. I based interest expense on ABI's existing debt. I employed the tax rates observed in ABI's form 10-K (see Exhibit 44). The resulting projected net income was:

- \$3.7 million for 2004,
- \$3.8 million for 2005,
- \$4.0 million for 2006,
- \$4.2 million for 2007, and
- \$4.4 million for 2008.

69. I next computed ABI's free cash flows by adding back depreciation and amortization, subtracting increases in working capital and subtracting capital expenditures from projected net income. I projected these amounts by using the median ratios to sales as previously described (for example, see Exhibit 45). The resulting free cash flows for ABI excluding Congoleum are:

- \$5.2 million for 2004,
- \$5.3 million for 2005,
- \$5.6 million for 2006,
- \$5.8 million for 2007, and
- \$6.0 million for 2008.

70. In sum, ABI, excluding Congoleum, is adequately capitalized and is expected to generate excess cash.

#### **Analysis of the Company Note**

71. As part of the Congoleum Plan of Reorganization, a Trust will be formed for the asbestos claimants. I understand that as part of the Plan of Reorganization, one component of

this Trust is a note payable to the Trust by Congoleum, referred to as the Company Note. I analyzed this note based upon my experience and education in securities valuation, analysis of the Company Note's terms, analysis of the performance of the equity of companies emerging from prepackaged Chapter 11 bankruptcy filings, and analysis of the yield-to-maturity on the Company's publicly traded Senior Debt.

#### Terms of the Company Note

72. The Company Note has an Original Principal value of \$2,738,234.75. The interest rate is 9% and interest is payable quarterly. The Company Note matures and is payable in full on the tenth anniversary of its issuance. The Company Note includes a provision that establishes a Remeasurement Value of the note equal to 51% of the market value of Congoleum's equity. This amount is measured on the later of June 30, 2005 or the last trading date occurring 90 days following the one-year anniversary of the issuance of the Company Note. The Additional Principal Amount of the Company Note is the difference between the Remeasurement Value of the Company Note and the Original Principal Amount. Interest accrues quarterly at the same rate (9% per year) on the Additional Principal Amount until the earlier of August 1, 2008 or the repayment of the Senior Notes. After August 1, 2008 or the repayment of the Senior Notes, interest on the Additional Principal Amount is paid quarterly. The unpaid accrued interest, Original Principal Amount and the Additional Principal Amount are all due on the tenth anniversary of the issuance of the Company Note.

#### Analysis of the market returns of the stocks of companies emerging from prepackaged Chapter 11 bankruptcy filings

73. A key component of the Company Note is the expected performance of Congoleum's stock in the year following the confirmation of its Plan of reorganization. I obtained a list (available in the public domain) of companies that filed prepackaged Chapter 11 bankruptcies in the period 1995 – 2001 from bankruptcydata.com. From this list, I selected the most recent data, those companies having plans confirmed in 2000 and 2001. There were ten companies in this group (see Exhibit 46).

74. For each of these companies, I researched the performance of its stock in the 24 months following the confirmation date. I computed the one-year return for the year following confirmation, the return for the second year following confirmation and the overall two-year return following confirmation. Of the ten companies, five were either taken private following confirmation or were private prior to confirmation. Each of the remaining five companies exhibited negative returns in the first year following confirmation. Two of these companies ultimately exhibited negative two-year returns. The three remaining companies exhibited negative one-year returns followed by positive returns in the second year and positive returns for the two-year period following confirmation. The range of one-year returns following confirmation was negative 97.7% to negative 22.8% (for example, see Exhibit 47). None of the data from my study indicate positive returns in the first year following confirmation of a pre-packaged Chapter 11 bankruptcy filing. Even if the study period is lengthened by 90 days, the conclusion is essentially the same.

75. Based upon the study, it is unreasonable to expect significant positive returns on a company's stock in the year following confirmation of a prepackaged Chapter 11 bankruptcy plan of reorganization. Obviously, a one-year reset period as stated in the Company Note is too short of a period to allow for potential realization of increases in Congoleum's market capitalization following the confirmation of its Plan of Reorganization.

#### Analysis of Congoleum's Publicly Traded Senior Debt

76. Congoleum's Senior debt has a yield-to-maturity of 15.7% as of June 10, 2004. Given that the Company Note is subordinated to the Senior Note, it is reasonable to assume that the minimum required rate of return on the Company Note is 15.7%. Given that the accrued interest component of this note increases in value at a rate of 9% per year and the appropriate required return by investors is higher than 15.7%, the effective value of the accrued interest element is reduced significantly. For example, \$100 invested at a rate of 9% per year for nine years (compounded quarterly) would grow to \$222.78 at the end of the nine-year period (ie. the time difference between the reset date and the maturity of the Company Note). Since this

amount would not be paid to the Trust until the Company Note matures, one must consider the present value of this future amount. The present value of this amount, using the 15.7% minimum discount rate would be \$51.83.

- Given the above, it is unreasonable to conclude that the fair market value of the Company Note exceeds its face value.



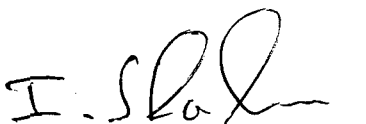
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In accordance with recognized professional ethics, my professional fees for this service are not contingent upon the opinion expressed herein, and neither Back Bay Management Corporation nor its division The Michel-Shaked Group, nor any officer, director, employee, agent, shareholder or controlling person of BBM/MSG has a present or intended financial interest in the outcome of this matter.

It should be understood that I have reviewed certain information related to this trial and I have set forth in this report only a summary of the testimony I expect to provide at trial. I have not attempted to set forth verbatim every detail and/or every fact that supports my opinion.

The analysis and opinions contained in this Report are based on information available as of the date of this report. I reserve the right to supplement or amend this report should any additional information become available, including, but not limited to, any information provided or assertions made by other parties or other experts and other information unavailable at the date of this report.

Respectfully submitted,



Professor Israel Shaked  
Managing Director  
The Michel-Shaked Group

7/9/04  
Date

**ISRAEL SHAKED***Work Address (Academic):*

Boston University  
School of Management  
595 Commonwealth Avenue (Room 518G)  
Boston, MA 02215  
Tel: (617) 353-2665  
Fax: (617) 353-6667

*Work Address (Practice):*

The Michel-Shaked Group  
2 Park Plaza  
Suite 500  
Boston, MA 02116  
Tel: (617) 426-4455  
Fax: (617) 426-6555

**EDUCATION**

- 1976-1980 HARVARD GRADUATE SCHOOL OF BUSINESS ADMINISTRATION  
Doctor of Business Administration, June 1980. Special field: Finance. Received Harvard Business School and Jerusalem Institute of Management Fellowships. Won the Harvard Business School Division of Research thesis competition.
- HEBREW UNIVERSITY OF JERUSALEM Jerusalem, Israel
- 1974-1976 Master of Business Administration (MBA), with concentration in finance. Graduated cum laude. Fellowship recipient.
- 1970-1973 Bachelor of Arts in Economics and Bachelor of Arts in Statistics. Both cum laude.

**TEACHING EXPERIENCE**

- 1978-present BOSTON UNIVERSITY SCHOOL OF MANAGEMENT, Boston, MA  
Professor, Finance/Economics. Taught various courses at the graduate and undergraduate level. Won the Boston University School of Management Broderick Prize for excellence in teaching in the years 1982-1983 and 1984-1985. Finance department nominee for Broderick prize for excellence in teaching, 1981-1982, and 1980-1981.
- 1984-2002 Director, BOSTON CHARTERED FINANCIAL ANALYSTS (CFA) REVIEW PROGRAM  
A 3-level program preparing financial analysts, portfolio managers, brokers and other investment professionals for an examination leading to worldwide certification. The program is one of the world's most prestigious of its kind. Its core curriculum consists of the following modules:
- \* Equity Securities Analysis
  - \* Fixed Income Securities Analysis
  - \* Portfolio Management
  - \* Derivative Securities
  - \* Financial Accounting
  - \* Economic Analysis
  - \* Quantitative Analysis
  - \* Ethical and Professional Standards
- 1994-2001 Director, THE INSTITUTE OF CHARTERED PENSION PROFESSIONALS (ICPP)  
The institute sponsors various activities for board members of pension funds, support staff and other individuals associated with pension plans. The Chartered Pension Professionals (CPP) certification is designated by the institute. The certification program covers a wide range of investment-related areas such as equity securities, fixed income securities, portfolio selection and management, and ethics.

## EXHIBIT 1

Israel Shaked  
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1977-1978 UNIVERSITY OF MASSACHUSETTS, Boston, MA  
*Instructor, Theory of Finance*

### BUSINESS EXPERIENCE

1985-present BACK BAY MANAGEMENT CORPORATION  
Founder and President

1980-1992 BOSTON MANAGEMENT GROUP  
Managing Director

1991-present THE MICHEL-SHAKED GROUP  
Co-founder and Managing Director

1997-present AMERICAN BANKRUPTCY INSTITUTE  
Board Member and Contributing Editor (American Bankruptcy Institute Journal)

1980-present Various consulting activities, including investment banking and financial services, mergers/acquisitions, LBOs, financial distress/bankruptcy, litigation analysis and expert witness work for law firms on numerous financial issues, and executive management development programs in general management, finance, and marketing.

1980-1988 Education consultant: Goodyear Publishing Co.; John Wiley & Sons, Inc.; McGraw-Hill Book Co.

1990-1992 CFO SEMINARS CORPORATION  
Co-founder and partner. A joint venture with the CFO Magazine - nationwide offering of seminars for financial executives.

1986-1990 Finance Columnist, Bostonia Magazine.

1977-1978 JERUSALEM INSTITUTE OF MANAGEMENT, Jerusalem, Israel, and HARVARD BUSINESS SCHOOL, Boston, MA. Course development for executive development programs and case writing in area of Management Information Systems.

1975-1976 KOOR CHEMICAL WORKS, LTD., Tel-Aviv, Israel  
Senior Economist, Planning and Control Division

1973-1975 URDAN METALLURGICAL WORKS, LTD., Natania, Israel  
Director of management information system

1969-1970 ISRAELI AIRCRAFT INDUSTRY  
Quality control and measurement methods department

1969 NILI WIRING, INC., Israel  
Production and installation of various metal wire products

1966-1969 MILITARY SERVICE

**HONORS**

Article awarded the Citation of Excellence and the Highest Quality Rating by ANBAR Electronic Index (1999) – "After Bankruptcy: Can Ugly Ducklings Turn into Swans?" Financial Analysts Journal (with A. Michel and C. McHugh)

The article "Does Business Diversification Affect Performance?" was listed 6th on the list of the "Most Frequently Cited Financial Management Articles" over the previous 25 years (1970-1995)

Won The Boston University School of Management Broderick Prize for excellence in teaching in the year 1982/83.

Won The Boston University School of Management Broderick Prize for excellence in teaching in the year 1984/85.

Nominated for the "Metcalf Award" - the highest teaching honor at Boston University - 1987.

Nominated for the "Metcalf Award" - the highest teaching honor at Boston University - 1991.

Finance/Economics Department nominee for Broderick Prize for excellence in teaching in the year 1980/81.

Finance/Economics Department nominee for Broderick Prize for excellence in teaching in the year 1981/82.

The book The Complete Guide to a Successful Leveraged Buyout selected by two book clubs -Fortune Book Club and MacMillan Executive Book Club.

The article "Japanese Leverage: Myth or Reality?" (Financial Analysts Journal) included as a required reading for the Chartered Financial Analysts Examination, 1987-1990.

Testified before the U.S. House Ways and Means Committee on the issue of takeovers and leveraged buyouts, March 1989.

Expert testimony on "Conflict of Interest Abuses in Commercial Banking Institutions." A report by the United States General Accounting Office to The Subcommittee On Commerce, Consumer and Monetary Affairs, Committee on Government Operations, U.S. House of Representatives, January 1989.

Research methodology and results on deposit insurance included in the report "Deposit Insurance In A Changing Environment", submitted by the Federal Deposit Insurance Corporation (FDIC) to Committee on Banking, Housing and Urban Affairs (U.S. Senate) and Committee on Banking, Finance and Urban Affairs (U.S. House of Representatives), April, 1983

Invited Speaker - Universidad Peruana de Ciencias Aplicadas - Financial Tools Applied to Marketing Decisions - Lima, Peru, April 10, 1996.

American Bankruptcy Institute Journal Editorial Board, 1997 - present

Steering Committee - Universidad Peruana de Ciencias Aplicadas, Lima, Peru, 1997 - present

**GOVERNMENT RELATIONS**

Testified before the U.S. House Ways and Means Committee on the issue of takeovers and leveraged buyouts, March 1989.

Expert testimony on "Conflict of Interest Abuses in Commercial Banking Institutions." A report by the United States General Accounting Office to The Subcommittee On Commerce, Consumer and Monetary Affairs, Committee on Government Operations, U.S. House of Representatives, January 1989.

Research methodology and results on deposit insurance included in the report "Deposit Insurance In A Changing Environment", submitted by the Federal Deposit Insurance Corporation (FDIC) to Committee on Banking, Housing and Urban Affairs (U.S. Senate) and Committee on Banking, Finance and Urban Affairs (U.S. House of Representatives), April, 1983

**PUBLICATIONS**

(Book) Takeover Madness: Corporate America Fights Back (with A. Michel). John Wiley & Sons, 1986.

(Book) The Complete Guide to A Successful Leveraged Buyout (with A. Michel). Dow Jones-Irwin, 1988.

(Book) The National Directory of Public Employee Retirement Systems - 1999 (ed. with A. Michel). Institute of Chartered Pension Professionals.

(Book) The National Directory of Public Employee Retirement Systems - 1998 (ed. with A. Michel). Institute of Chartered Pension Professionals.

(Book) The National Directory of Public Employee Retirement Systems - 1997 (ed. with A. Michel). Institute of Chartered Pension Professionals.

(Book) The National Directory of Public Employee Retirement Systems - 1996 (ed. with A. Michel). Institute of Chartered Pension Professionals.

(Book) Finance and Accounting for Lawyers (with A. Michel). Legal Financial Press, 1996.

"Solvency Analysis: A Primer on Applying Discounted Cash Flow." (with A. Michel), American Bankruptcy Institute Journal, December/January 2004. (Reprinted in Bankruptcy Law Section Newsletter, Boston Bar Association, April 2004.)

"An Analysis of the Relevance and Bias of Analyst Recommendations: The Case of Bankrupt Companies." (with A. Michel), The Financier, Vol. 10, Nos. 1-4 2003.

"The Preference Claims Puzzle: Wealth Transfer Implications of Controversial Judicial Preference Rulings." (with A. Michel and H. Tullar). Litigation Economics Review, Vol. 6, No. 1, 2003.

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"What Drives Firms to Distress? Seven Common Causal Factors." (with A. Michel), American Bankruptcy Institute Journal, December/January 2003.

"Deepening Insolvency: Plaintiff vs. Defendant." (with A. Michel), American Bankruptcy Institute Journal, May 2002.

"Does the Stock Market Differentiate Winners from Losers? The Case of One-vs. Two-Time Bankruptcy Filers." (with A. Michel and C. McHugh), The Financier, Vol. 9, Nos. 1-4 2002.

"Understanding Insurance Companies in Financial Distress," (with A. Michel), American Bankruptcy Institute Journal, December/January 2002.

"Managing Your Expert for a Successful Outcome: The 10 Commandments," (with A. Michel), American Bankruptcy Institute Journal, May 2001.

"The Paradox of Corporate Bankruptcy in a Robust Economy," (with A. Michel), American Bankruptcy Institute Journal, November 2000.

"Post-Bankruptcy Operating Performance: Two-Time Filers vs. One-Time Filers," (with A. Michel and C. McHugh), American Bankruptcy Institute Journal, March 2000.

"Chapter 22s: Lessons of Two-Time Bankruptcies," (with A. Michel and C. McHugh), The Financier, Summer/Autumn 1999.

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"Valuing the Financially Distressed Firm," (with A. Michel), American Bankruptcy Institute Journal, April 1999.

"Post-bankruptcy Results: Is There Life After Death?" (with A. Michel and C. McHugh), American Bankruptcy Institute Journal, December/January 1999

"Emerging from Bankruptcy: Can an Ugly Duckling Turn into a Swan?" (with A. Michel and C. McHugh), Financial Analysts Journal, May/June 1998. (Reprinted in The Machinery & Technical Specialties Journal, March 1999)

"Creating Value in the Distressed Firm," (with A. Michel), American Bankruptcy Institute Journal, May 1998.

"Value Creation: Lessons from Failed Acquisitions," (with A. Michel), American Bankruptcy Institute Journal, November 1997.

"Creating Value Through EVA: Myth or Reality?" (with A. Michel and P. Leroy). The Journal of Strategy and Business, Fourth Quarter 1997.

"Lessons from Failed Corporate Marriages: Transactional Myopia and Organizational Overconfidence" (with A. Michel). Strategy and Business, Fourth Quarter, 1996.

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"A Survival Kit for Recovering Funds From Junk Bond Defaults" (With A. Michel and G. Landy). Financial Analysts Journal, Fall 1992.

"Valuation of Damage Claims: An Application of Corporate Finance" (with A. Michel). Journal of Business Finance and Accounting, April 1992.

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"Insider Trading: Does SEC Enforcement Have an Effect?" (with A. Michel and S. Hamid). Commercial Lending Review, Spring 1992.

"Fraudulent Conveyance in Leveraged Buyouts: The Financial Issues" (With A. Michel). Cornerstone Research, February 1992. (Reprinted in The Corporate Growth Report, March 1992)

"RJR Nabisco: A Case Analysis of A Complex Leveraged Buyout" (with A. Michel). Financial Analysts Journal, September-October, 1991.

"An Evaluation of Investment Banker Acquisition Advice: The Shareholders' Perspective" (with A. Michel and You-Tay Lee). Financial Management, Summer 1991

"The Foreign Acquirer Bonanza: Myth or Reality?" (With A. Michel and D. McClain). Journal of Business Finance & Accounting, April 1991.

"Innovations in Corporate Finance: Convertible Exchangeable Preferred Stock" Butterworth's Journal of International Banking and Financial Law, July 1990.

"The Application of Corporate Finance to the Courtroom: The Case of Damage Valuation - A Reply" (with A. Michel). Financial Management Letters, Spring 1990.

"What Every LBO Lender Must Know About Valuation" (with A. Michel). Commercial Lending Review, Spring 1990.

"The LBO Nightmare: Fraudulent Conveyance Risk" (with A. Michel). Financial Analysts Journal, March-April, 1990.

"The Risk/Return Paradox Revisited" (with A. Michel). Public Administration - Economic and Finance: Current Issues in the North American and Caribbean Countries, edited by E. Ortiz, CIDE/NAEFA, Mexico, 1989.

"Assessing LBO Risk: The Case of Fraudulent Conveyance" (with A. Michel). Financial Management Letters, Winter 1989.

"The Application of Corporate Finance to the Courtroom: The Case Of Damage Claim Valuation" (with A. Michel). Financial Management Letters, Autumn 1989.

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"Corporate Takeovers: Excess Returns and the Multiple Bidding Phenomena" (with A. Michel). Journal of Business Finance and Accounting, Summer 1988.

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"Trucking Deregulation and Motor-Carrier Performance: The Stockholders' Perspective" (with A. Michel). Financial Review, May 1987.

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"The Proprietary Hospital Industry: A Financial Analysis 1972- 1982" (with A. Michel and J. Daley). Social Science and Medicine, Vol. 21, 1985.

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(Book review of) George J. Benston Financial Services: The Changing Institutions and Government Policy, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1983. Southern Economic Journal, January 1985.

(Book review of) Kallberg, G. and K. Parkinson Current Asset Management, John Wiley & Sons, Inc., 1984 Journal of Finance, June 1985.

## OTHER PUBLICATIONS

"Analyzing the Insolvent Firm: The Case of Deepening Insolvency" (with A. Michel). Bankruptcy Law Section Newsletter, Boston Bar Association, July 2001.

"Fraudulent Conveyance: The Financial Issues" (with A. Michel). Massachusetts Lawyers Weekly, April 5, 1993.



"A Guide to Corporate Valuation: Gaining Credibility and Avoiding Pitfalls" (with A. Michel). Massachusetts Lawyers Weekly, April 5, 1993.

"Seller Beware: Yesterday's LBO Success May Breed Tomorrow's Legal Nightmares" (with A. Michel). Institutional Investor, December 1990.

"Buying and Selling the American Dream: Advice on Small Business Transactions" (with A. Michel). Bostonia, March/April 1990.

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"Our Banana Republic: If We Continue as a Service Based Economy, We Are a Nation at Risk" (with A. Michel). Bostonia, March/April 1989.

"Wall Street Fallout: The Stock Market Isn't Decidedly Republican or Democratic" (with A. Michel). Bostonia, January/February, 1989.

"OPEC: Tiger or Paper Tiger?" (with A. Michel). Bostonia, November/December, 1988.

"Bearish, Bullish, or Foolish? An Investment Guide for the Perplexed" (with A. Michel). Bostonia, September/October 1988.

"Corporate Takeovers Aren't Just a Feeding Frenzy" (with A. Michel). Bostonia, July/August 1988.

"The Leveraged Buyout Market" (with A. Michel). The Robb Report, July 1988.

"Poison Pills Are Tough to Swallow" (with A. Michel). Bostonia, May/June 1988.

"Are Airline Incentives Just Pie in the Sky" (with A. Michel). Bostonia, March/April 1988.

"Bonds: The 'Safe' Alternative" (with A. Michel). Bostonia, January/February 1988.

"Free Enterprise Under Siege" (with A. Michel). Bostonia, November/December 1988.

"Time Sharing's Promises, Prizes, and Pitfalls" (with A. Michel). Bostonia, September/ October 1987.

"Massachusetts Capitalism: Many Shares, No Votes" (with A. Michel). The Boston Globe, July 28, 1987.

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"Credit Bureaus: Who's Rating Whom?" (with A. Michel). Bostonia, June/July, 1987.

"The Blackmailing of Corporate America" (with A. Michel). Bostonia, April/May, 1987.

"Do the Massachusetts' Blue Sky Laws Protect Investors?" (with A. Michel). Bostonia, February/March, 1987.

"Witches, Computers and Stock Market Volatility" (with A. Michel), Bostonia, December/January, 1987.

"In Banking the Word is Revolution, not Evolution" (with A. Michel). Bostonia, October/November, 1986.

"Takeover Madness" (with A. Michel). B.U. Today, Vol. 3 No. 4, September 4, 1986.

"Battling the Hostile Attack: Can the Shareholder Win?" (with A. Michel). Cornell Enterprise, Spring 1986.

"Battling Corporate Raiders" (with A. Michel). Boston Business Journal, June 23, 1986.

"Turning a Profit From Takeover Attempts" (with A. Michel). Lead editorial article, The Wall Street Journal, June 4, 1986.

(Also was quoted in numerous papers/magazines including: The Wall Street Journal, Business Week, Los Angeles Times, New York Magazine, The Boston Globe, The Boston Herald, London Financial Times, Boston Business Journal, INC. Magazine, Christian Science Monitor, Associated Press, Employment Review, New England Times, Worcester Telegram & Gazette, Akron Beacon Journal, The Orlando Sentinel, Business Week Careers, Worcester Business Journal, Schenectady Gazette (NY), Dallas Morning News, Hartford Courant and many others).

### WORKS UNDER JOURNAL REVIEW/IN PROGRESS

#### I. ACADEMIC JOURNAL ARTICLES IN PROGRESS

"Corporate Valuation and Lack of Marketability Discount: The Court's Perspective" (with A. Michel and S. Kempainen), research in progress.

"Corporate Valuation and Control Premium: The Court's Perspective" (with A. Michel and S. Kempainen), research in progress.

#### II. BOOKS IN PROGRESS

Cases in Corporate Finance (with A. Michel).

Finance and Accounting for the Nonfinancial Manager (with A. Michel)

### T.V./RADIO PROGRAMS

(TV) "Airline Deregulation." TV-4's "Live on 4", Boston, January 7, 1986.

(Radio) "Takeover Madness." A one hour talk show, WKOX-1200, Framingham, MA, June 10, 1986.

(Radio) "Takeover Defenses." Lawrence Ingram's Highlite, WNWK-FM, New York City, June 11, 1986.

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Israel Shaked  
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- (TV) "Takeover Madness." Financial News Network (FNN), June 17, 1986.
- (TV) "The Case of People Express." TV-5, Boston, June 23, 1986.
- (Radio) "Takeover Defenses." AMEX Business Talk, aired by a syndication of 10 different radio stations, New York City, June-July, 1986.
- (Radio) "The Stock Market." WMRE AM 1510, Boston, September 15, 1986.
- (Radio) "The Tax Reform." WMRE AM 1510, Boston, September 29, 1986.
- (TV) "The Gillette-Revlon Takeover Battle." TV-5, Boston, November 16, 1986.
- (TV) "The Gillette-Revlon Takeover Battle." TV-5, Boston, November 19, 1986.
- (Radio) "The Gillette-Revlon Takeover Battle." WBUR-90.9 FM, Boston, November 20, 1986.
- (Radio) "The Gillette-Revlon Takeover Battle." WMJX-106.7 FM, Boston, November 24, 1986.
- (TV) "The Gillette-Revlon Takeover Battle." TV-5, Boston, November 24, 1986.
- (TV) "Continental Airline Pricing Strategy." TV-5, Boston, January 29, 1987.
- (Radio) "Continental Airline Pricing Strategy." WBUR-90.9 FM, Boston, February 2, 1987.
- (Radio) "Abuses of Inside Information on Wall Street." WMJX-106.7 FM, Boston, February 22, 1987.
- (Radio) "The Gillette-Revlon Takeover Battle (Round II)." WMJX-106.7 FM, Boston, June 19, 1987.
- (Radio) "The Gillette-Revlon Takeover Battle (Round II)." WBUR-90.9 FM, Boston, June 19, 1987.
- (TV) "Eastern Airline's Financial Strategy." TV-5, Boston, July 30, 1987.
- (TV) "A Profitability Analysis of the Airline Industry." TV-4, Boston, August 1, 1987.
- (Radio) "The Shearson-E.F. Hutton Merger." Barry Gray's Talk Show, WMCA, New York City, December 3, 1987.
- (Radio) "The Dart Group-Stop & Shop Takeover Battle." WBUR-90.9 FM, Boston January 22, 1988.
- (Radio) "The Federated Department Stores - Campeau-Macy's Takeover Battle." WBZ-1030 AM, Boston, March 1, 1988.
- (Radio) "The Federated Department Stores - Campeau-Macy's Takeover Battle." WBZ-1030 AM, Boston, March 30, 1988.
- (Radio) "The Gillette-Coniston Partners Proxy Fight." WFCR-88.5 FM, Amherst, April 20, 1988.
- (TV) "Eastern Airline's Financial Strategy." TV-7, Boston, July 15, 1988.
- (TV) "The Pillsbury-Grand Metropolitan Takeover Battle." TV-7, Boston, December 19, 1988.

## EXHIBIT 1

Israel Shaked  
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(TV) "The Financial Scandal Involving A Dean Witter's Broker." TV-5, Boston, February 14, 1989.

(Radio) "The Eastern Airline Strike." WEEI-590, Boston, March 3-4, 1989.

(TV) "The Eastern Airline Strike." TV-56, Boston, March 5, 1989.

(TV) "The Eastern Airline Strike." TV-4, Boston, March 6, 1989.

(Radio) "The Eastern Airline Strike." WEEI-590, Boston, March 8, 1989.

(TV) "The Eastern Airline Strike." TV-5, Boston, March 9, 1989.

(TV) "Peter Ueberroth's Attempt To Buy Eastern." TV-4, Boston, April 11, 1989.

(TV) "The October 1989 Stock Market Crash." TV-7, Boston, October 16, 1989.

(TV) "The Financial Condition of Drexel Burnham Lambert." WQTV-68, Boston, February 12, 1990.

(TV) "The Recent Economic Indicators: Good News or Bad News?" TV-5, February 21, 1990.

(Radio) "The Norton-BTR Takeover Battle." WBZ-AM 1030, April 20-26, 1990.

(TV) "The Acquisition of the Foxboro Corporation". TV-5, June 26, 1990.

(TV) "The Divestiture of Tobacco Companies' Stocks". PBS-The Nightly Business Report, July 5, 1990.

(TV) "The Airline Industry Profitability and Fuel Prices". TV-4, November 16, 1990.

(TV) "The FDIC Guideline for Deposits In Failed Banks". TV-4, Boston, January 7, 1991.

(TV) "The FDIC Handling of The Bank of New England Bankruptcy". TV-4, Boston, January 8, 1991

(TV) "Pan Am's Filing For Bankruptcy". TV-4, Boston, January 8, 1991.

(TV) "The Airline Industry's Fare War", TV-56, April 10, 1992.

(TV) "Airline Deregulation: Does It Work," TV-56, April 23, 1992.

(TV) "Talk of New England: The Merger/LBO Mania in Perspective". New England Cable News, May 24, 1992.

(TV) "The Fare War In the Airline Industry," New England Cable News, May 11, 1993.

(TV) "The Cruise Line Industry," New England Cable News, March 16, 1994.

(TV) "The Media Mergers", TV-5, July 31, 1995.

(TV) "The Media Mergers", TV-68, August 1, 1995.

(TV) "Analysis of U.S. Air Buyout Possibility", New England Cable News, October 3, 1995.

(TV) "The Bank of Boston - Baybanks Merger", TV-68, December 13, 1995.

(TV) "Analysis of Discount Air Carriers," New England Cable News, May 15, 1996.

## EXHIBIT 1

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- (TV) "The Business Implications of TWA's Crash," New England Cable News, July 18, 1996.
- (Radio) "Trends in Business Education," WBUR 90.9, July 25, 1996.
- (Radio) "The FTC Intervention in the Staples-Office Depot Merger," WBZ-AM 1030, March 10, 1997.
- (Radio) "The Staples-Office Depot Merger," WBZ-AM 1030, July 1, 1997.
- (Radio) "The Citicorp-Travelers Merger," National Public Radio (NPR), April 7, 1998.
- (TV) "Logan Airport Flight Delays," New England Cable News, September 13, 1999.
- (TV) "MCI Worldcom Acquisition of Sprint," TV-4, October 5, 1999.
- (TV) "Potential Expansion of Logan Airport," New England Cable News, March 20, 2000.
- (TV) "Possible US Air Flight Attendant Strike," New England Cable News, March 22, 2000.
- (TV) "Analysis of the Failed Microsoft Settlement," TV-4's "Live on 4", Boston, April 2, 2000.
- (TV) "Analysis of the Proposed Merger of United Airlines and US Airways," New England Cable News, May 24, 2000.
- (TV) "Financial Distress of Converse, Inc.," New England Cable News, October 18, 2000.
- (TV) "Impact of Pilot Slowdown on Delta Airlines," New England Cable News, December 5, 2000.
- (TV) "Economic Impact of the September 11<sup>th</sup> Terrorist Attacks on the Airline Industry," New England Cable News, September 13, 2001.
- (TV) "Economic Impact of the September 11<sup>th</sup> Terrorist Attacks on the Airline Industry," New England Cable News, September 17, 2001.
- (Radio) "Airlines Versus Other Competing Modes of Transportation," WRKO-AM 680, September 25, 2001.
- (TV) "Airlines Versus Other Competing Modes of Transportation," New England Cable News, September 26, 2001.
- (TV) "Analysis of New Airport Security Proposals," New England Cable News, November 1, 2001.
- (TV) "Business Impact of Crash of American Airlines Flight 587 on Airline Industry," New England Cable News, November 12, 2001.
- (TV) "Analysis of New Federal Airport Security Proposals," New England Cable News, November 13, 2001.
- (TV) "Analysis of Amtrak Proposed Service Cuts," New England Cable News, February 1, 2002.
- (TV) "Analysis of Amtrak Reform Council Proposals," New England Cable News, February 7, 2002.
- (TV) "Analysis of New MassPort Chief Executive Officer," New England Cable News, April 11, 2002.
- (TV) "Analysis of Raytheon's Financial Performance," New England Cable News, June 18, 2002.

(TV) "Analysis of Federal Airport Security," New England Cable News, November 19, 2002.

(TV) "Analysis of Possible United Airlines Bankruptcy," New England Business Day. New England Cable News, December 5, 2002.

(TV) "Analysis of United Airlines Bankruptcy Filing," New England Cable News, December 9, 2002.

(TV) "Impact of Iraq War on Massachusetts Defense Companies," New England Cable News, March 25, 2003.

(TV) "Impact of Iraq War on U.S. Airline Industry/Emergence of U.S. Air from Bankruptcy," New England Cable News, April 1, 2003.

(TV) "An Analysis of the International Air Travel Industry," New England Cable News, May 15, 2003.

(TV) "An Analysis of the Proposed Layoffs at American Airlines," New England Cable News, July 2, 2003.

(TV) "An Analysis of Federal Subsidies for Amtrak," New England Cable News, October 6, 2003.

(TV) "Analysis of Jet Blue's New Boston Service," Greater Boston, WGBH, January 15, 2004.

#### **CASES ON TAKEOVER DEFENSES**

"T. Boone Pickens Plays Pac-Man" Mesa Petroleum vs. Cities Services

"Corporate World War III" Bendix vs. Martin Marietta

"Movies, Vodka, and Fried Chicken - Pac Man Entertainment" General Cinema vs. Heublein

"The Halloween Surprise: Mobil's Trick or Treat" Mobil vs. Marathon

"The Carriage Trade Defense: Racketeering Charges and Lock-Ups" Carl Icahn vs. Marshall Field

"The Treasury Lock-Up: Putting the Aggressor in Handcuffs" Ampco-Pittsburgh vs. Buffalo Forge

"It All Started with 'Young Lady, Everything Has a Price'" Western Pacific Industries vs. Cone Mills

"The Bass Family, the Belzbergs, and a Surprise Guest "The Bass Brothers and the Belzbergs vs. Suburban Propane

"Is the Winner a Victim of 'The Winner's Curse'?" Williams Cos. vs. Northwest Energy

"T. Boone Pickens Strikes Again: A Self-Tender Christmas Present" Mesa Petroleum vs. General American Oil

"Battling the Posner Attack" SEPCO vs. Graniteville

"My Grand Plan Is to Stay Out of Trouble" Coastal Corp. vs. Texas Gas Resources

"While the San Francisco 49ers Fought Their Way to a Superbowl Victory, A Crown Jewel War Was Kicked Off" Whittaker vs. Brunswick

" 'Marvin Is Burning the House Down': A Fatman Defense" Gearhart Industries vs. Smith International

"King of Spirits and Queen of Minerals: An All-Canadian Scorched Earth War" Joseph E. Seagram & Sons vs. St. Joe Minerals

"A New Course in the Curriculum: 'How to Bake A Poison Cake'" National Education vs. Bell & Howell

"The 'Dallas' Stage: Oil Barons, Boardroom Backbiting, and Courtroom Drama "Tesoro Petroleum vs. Enstar

"From Woodrow Wilson to Nancy Reagan: The China-Gate and the Poison Pill "Brown Foreman vs. Lenox

"The Great Textile Battle: Will Carl Icahn Sew Up Dan River?" Carl Icahn vs. Dan River

"The Grumman Pension Fund Dilemma: LTV or Loyalty" LTV vs. Grumman

"The Unfriendly Skies" Texas International Airlines vs. Continental Airlines

"The T. Boone Pickens Philosophy: The Most Fertile Oil Field Is the Floor of the New York Stock Exchange" Mesa Petroleum vs. Gulf Oil

"Irwin Jacobs' Tavern: Everything You Ever Wanted In A Beer, and More" Irwin Jacobs vs. Pabst Brewing

"What Did Odysseus Say Returning from Troy? 'You're Going to Like Us, TWA' " Odyssey Partners vs. Trans World Corporation

**CASES ON LEVERAGED BUYOUTS**

"Metromedia - King Kluge's Golden Touch"

"ARA Services - A Defensive LBO?"

"Shoe Corporation of America (SCOA) - An LBO Close to the Heart"

"Levi Strauss - 'Thank You Bruce Springsteen'"

"Gibson Greetings - The Granddaddy of LBOs"

"Thatcher Glass - The Price of Failure"

"Brentano's - Trimming Dead Wood"

"Macy's: Shopping for an LBO"

"Dr. Pepper's Battleground: The Cola Wars and the Bidding Battles"

"How Sweet Is Holly Sugar?"

"Mary Kay's Cosmetic: Going Private"

"The Battle for Storer: Coniston vs. KKR"

"A Pantry Raid at Revlon"

"Gambling for Jobs: The Wierton Steel ESOP Leveraged Buyout"

"The Dan River ESOP: A Product of Carl Icahn's 'Scare 'Em Strategy'"

"The Sharks and the Blue Bell ESOP: Playing in the Big Leagues with the Bass Brothers and the Belzbergs"

**CASES IN MANAGEMENT INFORMATION SYSTEMS**

Jointly financed by the Jerusalem Institute of Management and Harvard Business School:

- Rim-Jerusalem Furniture Ltd.
- Ha'retz Daily Newspaper Ltd.
- Makhteshim-MIS
- Isasbest

**A SELECT LIST OF PRESENTATIONS**

"Relevant Financial Issues for ERISA Attorneys" (with A. Michel), U.S. Department of Labor, Boston, MA, March 30, 2004.

"Deepening Insolvency: Plaintiff vs. Defendant" (with A. Michel), Financial Management Association Meeting, Denver, Colorado, October 9, 2003.

"Analysis of Fraudulent Conveyances/Preferences" (with A. Michel), NYU Law School, New York, New York, November 22, 2002.

"Fraudulent Conveyance/Preferences: Plaintiff vs. Defendant Perspectives" (with A. Michel), Financial Management Association Meeting, San Antonio, Texas, October 17, 2002.

"Valuation Perspectives," American Electronics Association's (AeA) M&A Conferences Series, Waltham, MA, June 25, 2002.

"Analysis of Fraudulent Conveyances/Preferences" (with A. Michel), Harvard Law School, Boston, Massachusetts, March 2, 2002.

"Analysis of Fraudulent Conveyances/Preferences" (with A. Michel), Boston Bar Association Meeting, Boston, Massachusetts, January 12, 2002.

"Evaluating the Reasonability of Management's Projections" (with A. Michel), Financial Management Association Meeting, Toronto, Canada, October 19, 2001.

"The Role of the Financial Expert in Complex Litigation" (with A. Michel), Financial Management Association Meeting, Seattle, Washington, October 27, 2000.

"The Many Facets of a Valuation Case: An Expert Witness' Perspective" (with A. Michel), Financial Management Association Meeting, Orlando, Florida, October 7 1999.

"Valuing Damages: Compensatory and Punitive," Financial Management Association Meeting, Chicago, Illinois, October 15, 1998.

"Business Damages" (with A. Michel), Bingham Dana, Boston, Massachusetts, April 21, 1998.



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"Emerging from Bankruptcy: Analysis of Disclosure Statement Projections" (Co-chaired Panel Session) Financial Management Association Meeting, Honolulu, Hawaii, October 16, 1997.

"Creating Shareholder Value," Coopers & Lybrand's Financial Services Power Learning Series, Dallas, Texas, July 11-14, 1997.

"Analysis of Control Premium Court Decisions 1980-1995" (Co-chaired Panel Session) Financial Management Association Meeting, New Orleans, October 10, 1996.

"Emerging Markets' Securities: Myth and Reality," The Central Bank of Trinidad, June 21, 1996.

Invited Speaker - Universidad Peruana de Ciencias Aplicadas - Financial Tools Applied to Marketing Decisions - Lima, Peru, April 10, 1996.

"Key Issues Facing the Expert Witness" (Co-chaired Panel Session) Financial Management Association 25th Annual Meeting, New York, October 21, 1995.

"Controversial Issues in the Courtroom: The Role of the Expert Witness" (Chaired Panel Session) Financial Management Association 24th Annual Meeting, St. Louis, October 13, 1994.

"Corporate Acquisitions: Industry Influence on Target Performance," (with A. Michel) Financial Management Association 23rd Annual Meeting, Toronto, October 13-16, 1993.

"The Winner's Curse and Multiple Bidding Phenomena: The Shareholders' Perspective," (with A. Michel). Financial Management Association 23rd Annual Meeting, Toronto, October 13-16, 1993.

"Pitfalls in Corporate Valuation: The Attorney's Perspective" (with A. Michel), The Corporate Law Committee of the Boston Bar Association, Boston, May 11, 1993.

"Do Poison Pills Matter? Evidence From the 80s," (with A. Michel and S. W. Kim), Financial Management Association Meetings, Chicago, October 1991.

"Mergers and Acquisition for Middle-Market Companies" (with A. Michel), CFO Seminars, New York City (Co-chairman of the conference's Program Committee), May 16-17, 1991.

"Financing Alternatives for Middle-Market Companies" (with A. Michel), CFO Seminars, New York City (Co-chairman of the conference's Program Committee), June 13-14, 1991.

"Cost Containment for Middle-Market Companies" (with A. Michel), CFO Seminars, New York City (Co-chairman of the conference's Program Committee), June 20-21, 1991.

"An Evaluation of Investment Banker Acquisition Advice: The Shareholders' Perspective," (with A. Michel and Y. T. Lee), Financial Management Association Meetings, Orlando, October 1990.

"Financing Alternatives for Middle-Market Companies" (with A. Michel), CFO Seminars, New York City (Co-chairman of the conference's Program Committee), November 1-2, 1990.

"Maximizing Cash Flow" (with A. Michel), CFO Seminars, New York City (Co-chairman of the conference's Program Committee), November 29-30, 1990.

"Multinational Corporations vs. Domestic Corporations: Financial Performance and Characteristics," Conference on Research in International Finance, Jouy En Josas, France, June 19-20, 1986.

"The Foreign Acquirer Bonanza: Myth or Reality?" (with A. Michel, D. McClain), North American Economics and Finance Association Meetings, New Orleans, December 1986.

"The Risk/Return Paradox Revisited," (with A. Michel), North American Economics and Finance Association Meetings, New York, December, 1985.

"The Case of Multiple Bidding: Are Acquirers Victims of the Winner's Curse?" (with A. Michel), Western Finance Association, Phoenix, June, 1985.

"Do Target Firms' Shareholders Gain from Multiple Bidding?" (with Allen Michel). Twentieth Annual Conference of the Western Finance Association, Scottsdale, Arizona, 1985.

"Are Conglomerates Safer?" (with A. Michel), North American Economics and Finance Associations Meetings, Dallas, December 1984.

"Are Multinational Corporations Safer?" Annual Meetings of the Allied Social Science Associations (also: The North American Economics and Finance Association), Dallas, Texas, December 28-30, 1984.

"Airline Performance Under Deregulation: The Shareholder's Perspective," (with A. Michel), Financial Management Association Meetings, Toronto, October 1984.

"Are Conglomerates Safer?" (with A. Michel), Financial Management Association Meetings, Toronto, October 1984.

"Airline Deregulation and Financial Performance of Air Carriers," (with A. Michel), Eastern Economics Association, Boston, March 1983.

"Measuring Life Insurance Company Safety: An Integrative Approach" and "The Valuation of FDIC Deposit Insurance Using Option-Pricing Estimates," Association Francaise de Finance 4th International Meeting, Carry-Le-Rouet, France, June 9-10, 1983.

"The Valuation of FDIC Deposit Insurance: Empirical Estimates Using the Option Pricing Framework," (with A. Marcus), The Annual Meetings of the Allied Social Science Associates, New York City, December 1982.

## **EXHIBIT 2**

### **DR. ISRAEL SHAKED EXPERT TESTIMONY EXPERIENCE**

United States of America v. Irwin Selinger and Marc Chapman  
United States District Court  
Eastern District of New York  
Case No. 2:02-cr-01274-DRH  
Trial Testimony  
2004

Mitsubishi Power Systems, Inc. v. The Shaw Group, Inc. and Stone  
& Webster Construction, Inc.  
United States District Court  
Southern District of New York  
Civil Action No. 04 CIV 1251  
Submission of Declarations and Deposition Testimony  
2004

In re: North Manchester Foundry, Inc.  
Yvette Gaff Kleven, Chapter 11 Trustee for North Manchester  
Foundry, Inc. vs. Ronald F. Prebish Irrevocable Trust, et al.  
United States Bankruptcy Court  
Northern District of Indiana  
Case No. 01-35086  
Settled Prior to Report Submission  
2003

Estate of Frazier Jelke  
Department of the Treasury  
Internal Revenue Service  
Docket No. 3512-03  
Report Submission and Trial Testimony  
2003

Jesse Fink and Elizabeth Fink against Berdon, LLP  
Arbitration  
American Arbitration Association No. 13 107 0258404  
Report Submission  
2003

The Liquidation Trust of Hechinger Investment Company of  
Delaware, Inc. et al., on behalf of Hechinger Investment Company of  
Delaware, et al. v. Fleet Retail Finance Group, et al.  
United States Bankruptcy Court  
District of Delaware  
Case No. 99-2261 through 99-2283  
Report Submission and Deposition Testimony  
2003

The Liquidation Trust of Hechinger Investment Company of  
Delaware, Inc. et al., on behalf of Hechinger Investment Company of  
Delaware, et al. v. Bank Boston Retail Finance, Inc.  
United States District Court  
District of Delaware  
Civil Action No. 00-973-SLR  
Report Submission, Deposition and Trial Testimony  
2003

In re: Broadcom Corp. Securities Litigation  
United States District Court  
Central District of California  
Southern Division  
Master File No. SACV 01-275 GLT (Eex)  
(Consolidated Cases)  
Declaration Submission and Deposition Testimony  
2003

Serge Trigano v. Bain & Co. Inc.  
United States District Court  
District of Massachusetts  
Case No. 99-12535-JLT  
Report Submission  
2003

In Re: SiMETCO, Inc.  
SiMETCO, Inc. v. UCAR Carbon Co., Inc.  
United States Bankruptcy Court  
Northern District of Ohio  
Case No. 94-06018-JHW  
Settled Prior to Report Submission  
2002

In Re: Alliance Leasing Corporation, etc. v. Baker & Hostetler LLP., et al.  
United States District Court  
Southern District of California  
Case No. 99-CV-1823-K  
Report Submission  
2002

In Re: UNIFI Communications Inc.  
David J. Ferrari and Argus Management Corporation as Plan  
Trustee of the UNIFI Communications, Inc. Amended Joint  
Liquidating Plan v. Douglas J. Ranalli, Mark F. Ranalli, Thomas P.  
Sosnowski and Steve Darrington  
United States Bankruptcy Court (Western Division)  
District of Massachusetts  
Case No. 99-40302  
Report Submission and Deposition Testimony  
2002

United States of America v. Philip Morris Incorporated, et al.  
United States District Court  
District of Columbia  
Civil Action No. 99-CV-2496 (GK)  
Report Submission and Deposition Testimony  
2002

Marine Midland Bank, as Trustee of the 59 Maiden Lane Litigation  
Trust v. Zurich Insurance Company et al.  
Supreme Court of the State of New York  
County of New York  
Index No. 600269/97  
Report Submission and Deposition Testimony  
2001

In Re: Summit Technology, Inc. Securities Litigation  
United States District Court  
District of Massachusetts  
Civil Action No. 96-11589-JLT  
Report Submission  
2000

The Herrick Company, Inc. v. Vetta Sports, Inc. et al.  
United States District Court  
Southern District of New York  
Case No. 94 Civ. 0905 (RPP)  
Report Submission, Deposition and Trial Testimony  
1999

Sovereign Partners, LP et al. v. Quadrox Corporation et al.  
United States District Court  
Southern District of New York  
98 Civ. 5478 (RMB)  
Report Submission and Deposition Testimony  
1999

In Re: Cascade International Securities Litigation  
United States District Court  
Southern District of Florida  
West Palm Division  
Case No. 91-8652-Civ-Nesbitt  
Report Submission and Deposition Testimony  
1998

Reiver, et al. v. 3Com Corporation et al.  
United States District Court  
Northern District of California  
Case No. 97-CV-21083  
Case Settled Prior to Report Submission  
1997

Charles N. White Co., et al. v. Belle Casinos, Inc. et al.  
United States District Court  
Southern District of Mississippi  
Case No. 94-CV-491  
Report Submission  
1997

Kinko's New Master Corporation  
No Case Actually Filed  
Report Submitted for Negotiation Purposes  
1996

AUSA, et al. v. Dwyer, et al., 93 Civ. 6380 (CLB);  
In Re JWP Inc. Securities Litigation, 92 Civ. 5815 (CLB);  
Aronoff, et ano. v. Dwyer, et al., 94 Civ. 2261 (CLB)  
Report Submission and Deposition Testimony  
1995

Credit Technologies, Inc. et al. v. Brian E. Boyle  
Superior Court of Massachusetts, at Middlesex  
Civil Action No. 94-2983  
Case Settled Prior to Report Submission  
1995

Brogren, et al. v. Pohlads, et al.  
United States District Court  
District of Minnesota (St. Paul)  
Case No. 93-CV-714  
Case Settled Prior to Report Submission  
1995

Official Unsecured Creditors' Committee, Ex Rel. The Bankruptcy  
Estate of Jones Truck Lines, Inc. v. Bankers Trust Company et al.  
United States Bankruptcy Court  
Western District of Arkansas  
Case Settled Prior to Report Submission  
1995

O'Hearn et al. v. Dougherty, Dawkins, Strand & Yost, Incorporated,  
Robert J. Harris and Robert D. Peterson  
United States District Court  
District of Massachusetts (Boston)  
Case No. 90-CV-12421  
Report Submission  
1994

InverWorld, Inc. v. Commissioner of Internal Revenue  
United States Tax Court  
Report Submission  
1994

Raritan River Steel Co., Inc. v. American Chain Link Fence  
United States Bankruptcy Court  
District of Massachusetts  
Eastern Division  
Case No. 92-18538-JNF  
Adversary Proceeding No. 92-1604  
Report Submission and Deposition Testimony  
1993

Rivdan, Inc. v. Transclal B.V.  
Arbitration  
Varet Marcus & Fink File No. 4962-3  
Report Submission and Arbitration Testimony  
1993

Albany International Corp. v. Commissioner of Internal Revenue  
United States Tax Court  
Docket No. 14331-91  
Report Submission  
1993

Danjaq, S.A. v. MGM/UA Communication, Co., et. al.  
Superior Court of the State of California for the County of Los Angeles  
Case No. BC021495  
Report Submission and Deposition Testimony  
1992

Morse Tool, Inc. v. Barclays Business Credit, Inc.  
United States Bankruptcy Court  
District of Massachusetts  
Eastern Division  
Chapter 7 Case No. 87-10588-CJK  
Adversary Proceeding No. 87-1303  
Report Submission and Trial Testimony  
1990

### EXHIBIT 3

#### **The Michel-Shaked Group Sample of Valuation, Financial Distress and Bankruptcy Experience**

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<i><b>Company</b></i>	<i><b>Industry</b></i>	<i><b>Retained by:</b></i>
Aavid Thermal Technologies, Inc.	Technology	Non-litigation
AEL Industries	Aerospace & Defense	Defendant
Albany International Corp.	Basic Materials	Defendant
American Chain Link Fence Company	Manufacturing	Defendant
Apollo Real Estate Management, Inc.	Real Estate	Plaintiff
Aquaria, Inc.	Personal & Household Products	Non-litigation
Avid Technology, Inc.	Software & Programming	Non-litigation
Belle Casino	Gaming	Plaintiff
Bennett Funding Group	Leasing	Plaintiff
Boston Biomedica, Inc.	Health Care	Non-litigation
Builders Square, Inc.	Retail / Home Improvement	Plaintiff
CareMatrix Corporation	Health Care	Non-litigation
Cascade International	Retail	Plaintiff
Dairy Mart Convenience Stores, Inc.	Retail	Non-litigation
Dataware Technologies, Inc.	Software & Programming	Non-litigation



### EXHIBIT 3

#### **The Michel-Shaked Group Sample of Valuation, Financial Distress and Bankruptcy Experience**

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<i><b>Company</b></i>	<i><b>Industry</b></i>	<i><b>Retained by:</b></i>
Dynamic Machine Works, Inc.	Manufacturing	Defendant
Dynamics Research Corporation	Technology	Non-litigation
Finagle a Bagel	Food & Beverage	Non-litigation
Fleet Shipping Lines, Inc.	Transportation	Non-litigation
Foxmeyer Corporation	Pharmaceutical Distribution	Plaintiff
Frontier Group	Health Care	Non-litigation
Giga Information Group, Inc.	Business Services	Non-litigation
Hartford Electrical Supply Company (HESCO)	Distribution	Plaintiff
Hechinger Corporation	Retail / Home Improvement	Plaintiff
High Voltage Engineering Corporation	Technology	Plaintiff
The Home Insurance Company	Insurance	Defendant
Innoveda, Inc.	Software & Programming	Non-litigation
Instron Corporation	Technology	Non-litigation
Jones TruckLines Inc.	Transportation	Defendant

### EXHIBIT 3

#### **The Michel-Shaked Group Sample of Valuation, Financial Distress and Bankruptcy Experience**

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<i><b>Company</b></i>	<i><b>Industry</b></i>	<i><b>Retained by:</b></i>
Lafayette Place Associates	Real Estate	Plaintiff
Lincoln North Partnership	Real Estate	Defendant
Lyme Timber Company	Real Estate	Non-litigation
Merry-Go-Round	Retail	Plaintiff
MGM/UA Communications Co.	Entertainment / Motion Pictures	Plaintiff
Micrion Corporation	Technology	Plaintiff
Micro Networks, Inc.	Technology	Non-litigation
Morse Tool, Inc.	Manufacturing	Plaintiff
North Manchester Foundry, Inc.	Basic Materials / Iron and Steel	Plaintiff
ON Technology Corporation	Software & Programming	Non-litigation
Papa Gino's Holdings Corp.	Food & Beverage	Non-litigation
Paracelsus Healthcare Corp.	Health Care	Non-litigation
PCD Inc.	Technology	Non-litigation
Penton Media, Inc.	Publishing & Printing	Plaintiff
Petricca Industries, Inc.	Engineering & Construction	Plaintiff

### EXHIBIT 3

#### **The Michel-Shaked Group Sample of Valuation, Financial Distress and Bankruptcy Experience**

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<i><b>Company</b></i>	<i><b>Industry</b></i>	<i><b>Retained by:</b></i>
PictureTel Corporation	Technology	Non-litigation
Polaroid Corporation	Imaging	Non-litigation
PRI Automation, Inc.	Technology	Non-litigation
Restrac, Inc.	Software & Programming	Non-litigation
Sawgrass Electronics Group, Inc.	Technology	Non-litigation
The Shaw Group	Engineering and Construction	Defendant
Sleep HeathCenters LLC	Health Care	Plaintiff
SmarTalk (Worldwide Direct, Inc.)	Communications	Defendant
Southern Union Company	Utilities	Plaintiff
Transition Systems, Inc.	Software & Programming	Non-litigation
UNIFI Communications, Inc.	Communications	Plaintiff
United Companies Financial	Banking	Plaintiff
Vetta Sports, Inc.	Recreational Products	Plaintiff
Weiboldt Stores, Inc.	Retail	Defendant
Winn-Dixie Stores, Inc.	Retail	Defendant

## **EXHIBIT 4**

### **CONGOLEUM CORPORATION Data and Other Information Considered**

I considered the following data and other information in rendering my opinion in this matter:

#### **PUBLIC FILINGS:**

- Congoleum Corporation forms 10-K for the years ended December 31, 1999 – 2003 and form 10-Q for the quarter ended March 31, 2004
- American Biltrite, Inc. forms 10-K for the years ended December 31, 2001 – 2003 and form 10-Q for the quarter ended March 31, 2004
- Mohawk Industries, Inc. form 10-K for the year ended December 31, 2003 and form 10-Q for the quarter ended April 3, 2004
- Interface, Inc. form 10-K for the year ended December 31, 2003 and form 10-Q for the quarter ended April 4, 2004
- Tarkett Group Annual Report, 2003

#### **PRESS RELEASES:**

- All news wires containing “Congoleum” for the years 2001 – 2003 and for 2004 through June 10, 2004 found through Lexis Nexis.

#### **COMPLAINTS, AMENDMENTS AND ANSWERS**

- Certain Underwriters at Lloyds and Certain London Market Insurance Companies vs. Liberty Mutual Insurance Company and Congoleum Corporation, et al; Complaint; September 13, 2001.
- Certain Underwriters at Lloyds and Certain London Market Insurance Companies vs. Liberty Mutual Insurance Company and Congoleum Corporation, et al; first Amended Answer; February 28, 2002.
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Second Amended Complaint; May 15, 2002.
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Amended Verified Answer of Ace American Insurance Company, et al.; February 27, 2003.
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Amended Answer of Century Indemnity Company, et al.; May 8, 2003.
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Congoleum Corporation’s Answer; (document received not dated)

## **EXHIBIT 4**

### **CONGOLEUM CORPORATION Data and Other Information Considered**

#### **COMPLAINTS, AMENDMENTS AND ANSWERS (CONTINUED)**

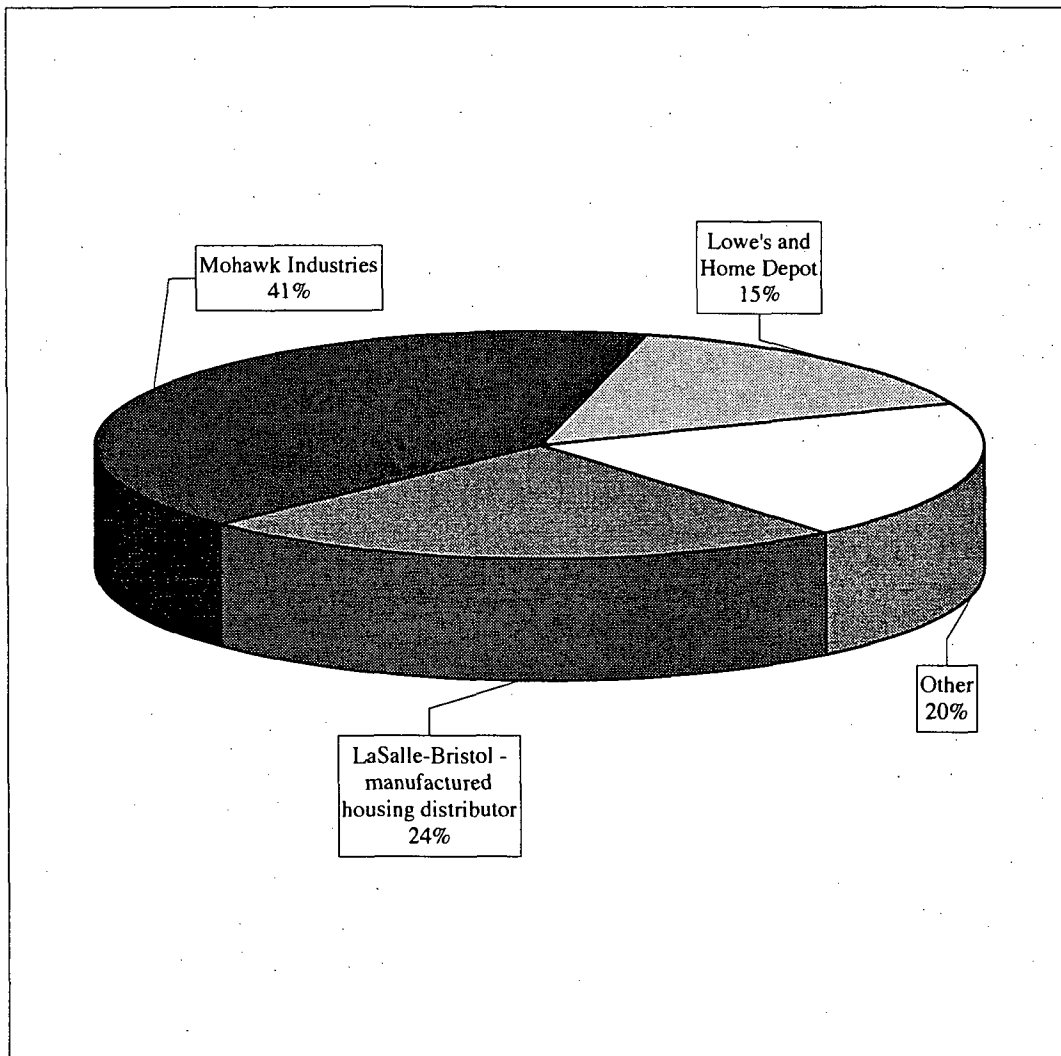
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Certain Underwriters at Lloyd's, et al., Amended Answer; June 18, 2003.
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Congoleum Corporation's Answer; (document received not dated).
- Congoleum Corporation vs. Ace American Insurance Company, et al.; Congoleum Corporation's Third Amended Complaint; March 12, 2004.

#### **OTHER SOURCES:**

- Documents bearing Bates numbers CFC001 – 823, CONGO-ED3-007464 – 7473, CONGO-ED3-001621 – 1632, CONGO-ED4-001604 – 1621, CONGO-ED8-0057 – 0069, CONGO-ED9-007515-7519, LT001-6271, CIBC001 – 3241, CNA-EAY-001 – 3000, CN007381 - 7392
- 6/6/2003 memo from Tersini Consulting to Elihu Inselbuch re. Congoleum Term Sheet
- Depositions of Robert Peter Strack, Joseph Radecki, Jr., and Larry Tersini.
- The Congoleum Corporation Disclosure Statement and Plan of Reorganization
- Thompson Financial Disclosure
- FT Interactive
- [www.reuters.com](http://www.reuters.com)
- [www.bankruptcydata.com](http://www.bankruptcydata.com)
- Barra Beta Books for Companies
- Mergerstat
- Federal Reserve Economic Database (FRED)
- Stocks, Bonds, Bills & Inflation (SBBi) 2004 Yearbook, Valuation Edition
- US Census NAIS data
- Yahoo Finance

**EXHIBIT 5**

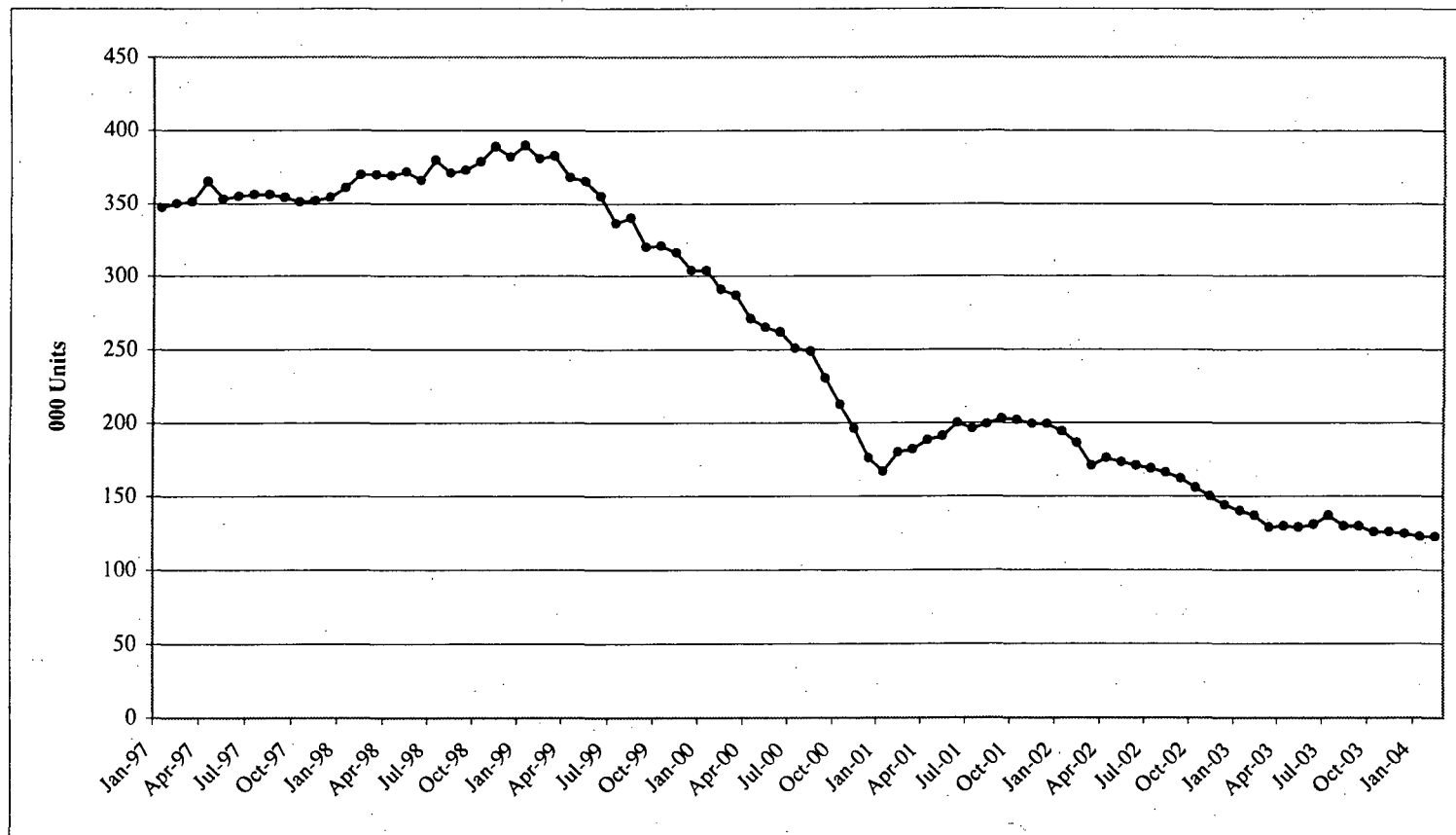
**CONGOLEUM CORPORATION**  
**Major Customers**  
For the Year Ended December 31, 2003



Source: Congoleum Corporation form 10-K for the year ended December 31, 2003.

## EXHIBIT 6

### MANUFACTURED HOME SHIPMENTS Seasonally Adjusted Rate of Units Shipped 000s



Source: US Census NAIS data.

# EXHIBIT 6

## MANUFACTURED HOME SHIPMENTS Seasonally Adjusted Rate of Units Shipped 000s

MONTHLY (ANNUALIZED)							
Month	Units	Month	Units	Month	Units	Month	Units
Jan-97	347	Jan-99	390	Jan-01	167	Jan-03	140
Feb-97	350	Feb-99	381	Feb-01	180	Feb-03	137
Mar-97	351	Mar-99	383	Mar-01	182	Mar-03	129
Apr-97	365	Apr-99	368	Apr-01	188	Apr-03	130
May-97	353	May-99	365	May-01	191	May-03	129
Jun-97	355	Jun-99	355	Jun-01	200	Jun-03	131
Jul-97	356	Jul-99	336	Jul-01	196	Jul-03	137
Aug-97	356	Aug-99	340	Aug-01	199	Aug-03	130
Sep-97	354	Sep-99	320	Sep-01	203	Sep-03	130
Oct-97	351	Oct-99	321	Oct-01	202	Oct-03	126
Nov-97	352	Nov-99	316	Nov-01	199	Nov-03	126
Dec-97	354	Dec-99	304	Dec-01	199	Dec-03	125
Jan-98	361	Jan-00	304	Jan-02	194	Jan-04	123
Feb-98	370	Feb-00	291	Feb-02	186	Feb-04	123
Mar-98	370	Mar-00	287	Mar-02	171		
Apr-98	369	Apr-00	271	Apr-02	176		
May-98	372	May-00	265	May-02	173		
Jun-98	366	Jun-00	262	Jun-02	171		
Jul-98	380	Jul-00	251	Jul-02	169		
Aug-98	371	Aug-00	249	Aug-02	166		
Sep-98	373	Sep-00	231	Sep-02	162		
Oct-98	379	Oct-00	213	Oct-02	156		
Nov-98	389	Nov-00	196	Nov-02	150		
Dec-98	382	Dec-00	176	Dec-02	144		

ANNUALLY	
Year	Units
1997	353.7
1998	373.1
1999	348.1
2000	250.4
2001	193.3
2002	168.5
2003	130.9

Source: US Census NAIS data.



## EXHIBIT 7

“Over the past several years, there have been great improvements in Congoleum’s product offering, distribution and manufacturing capability [quoted from Roger Marcus, Congoleum Chairman of the Board].”<sup>1</sup>

“We have seen tremendous momentum with the sales success of Ultima, Prelude, and DuraStone, all of which contributed to our top line growth in 2002. We expect to receive a second patent shortly that covers Ultima and DuraStone, further solidifying our proprietary advantage [quoted from Roger Marcus, Congoleum Chairman of the Board].”<sup>2</sup>

“...we’ve spent a great deal on new product development, introduction, and merchandise. At the same time, we’ve weathered the worst decline in manufactured housing in over a decade [quoted from Roger Marcus, Congoleum Chairman of the Board].”<sup>3</sup>

“Commenting on the 2002 results, Mr. Marcus said, ‘Even without the asbestos issue, we faced a very challenging environment last year. Our sales performance in that climate demonstrates that our product development and marketing strategies are enabling us to gain market share. I believe our decision to continue to invest aggressively in the development and introduction of new products and expanding sales at the expense of short term profitability will serve us well in the long run.’”<sup>4</sup>

“Mr. Marcus (Congoleum Chairman of the Board) continued, ‘On the positive side, our DuraStone and Ultima product lines continue to perform very well. We have been awarded a patent on the coating technology we developed, which we expect will further enhance our image as the industry product innovator...’”<sup>5</sup>

“Demand for DuraStone exceeded our initial expectations, and servicing that demand took priority [quoted from Roger Marcus, Congoleum Chairman of the Board].”<sup>6</sup>

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<sup>1</sup> “Congoleum Corporation Seeking to Resolve Asbestos Liability”. Business Wire. January 13, 2003. Throughout this report, text in bold with an underline denotes emphasis added. Text in bold without an underline indicates emphasis in the original.

<sup>2</sup> “Congoleum Corporation Seeking to Resolve Asbestos Liability”. Business Wire. January 13, 2003.

<sup>3</sup> “Congoleum Corporation Seeking to Resolve Asbestos Liability”. Business Wire. January 13, 2003.

<sup>4</sup> “Congoleum Corporation Reaches Agreement in Principle to Settle Asbestos Claims, Announces 2002 Results”. Business Wire. March 31, 2003.

<sup>5</sup> “Congoleum Corporation Reaches Agreement in Principle to Settle Asbestos Claims, Announces 2002 Results”. Business Wire. March 31, 2003.

<sup>6</sup> “Congoleum Corporation Reaches Agreement in Principle to Settle Asbestos Claims, Announces 2002 Results”. Business Wire. March 31, 2003.

## EXHIBIT 7

“Finally, we are developing a major new sheet product, to be introduced in the second half of 2004, which we believe will be the best in the industry. [Quoted by Roger Marcus, Congoleum Chairman of the Board.]”<sup>7</sup>

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<sup>7</sup> “Congoleum Corporation Reports 2003 Results”. Business Wire. March 11, 2004.

## EXHIBIT 8

“Congoleum Corporation is a leading manufacturer of resilient flooring, serving both residential and commercial markets.”<sup>8</sup>

“The Congoleum brand name is recognized and trusted by consumers as representing a company that has been supplying attractive and durable flooring products for over a century.”<sup>9</sup>

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<sup>8</sup> “Congoleum Corporation Obtains Approval of Interim Financing, Authorization to Pay Trade”. Business Wire. January 9, 2004.

<sup>9</sup> “Congoleum Corporation Obtains Approval of Interim Financing, Authorization to Pay Trade”. Business Wire. January 9, 2004.

## EXHIBIT 9

“Sales for the three months ended March 31, 2002 were \$57.9 million, compared with sales of \$51.6 million reported in the first quarter of 2002, an increase of 12.3%.”<sup>10</sup>

“The net loss for the quarter (before a required accounting change) was \$0.6 million versus a net loss of \$3.7 million in the first quarter of 2001.”<sup>11</sup>

“Roger S. Marcus, chairman of the Board, commented ‘Congoleum’s results in the first quarter of 2002 showed a quantum improvement over the first quarter of 2001...’”<sup>12</sup>

“Congoleum’s performance [in Q1 2002] benefited from sales of new products and continued improvements in manufacturing efficiency...”<sup>13</sup>

“Sales for the three months ended June 30, 2002 were \$68.0 million, compared with sales of \$54.4 million reported in the second quarter of 2001, an increase of 25%.”<sup>14</sup>

“Net income for the quarter ended June 30, 2002 was \$0.8 million versus \$0.2 million in the second quarter of 2001.”<sup>15</sup>

“Sales for the six months ended June 30, 2002 were \$125.9 million, compared with sales of \$106.0 million for the first six months of 2001, an increase of 18.8%.”<sup>16</sup>

“Net income for the first six months of 2002 (before a required accounting change) was \$0.2 million, or \$0.02 per share, compared with a net loss of \$3.5 million, or \$0.43 per share, for the first six months of 2001.”<sup>17</sup>

<sup>10</sup> “Congoleum Reports First Quarter Results”. Business Wire. May 8, 2002.

<sup>11</sup> “Congoleum Reports First Quarter Results”. Business Wire. May 8, 2002.

<sup>12</sup> “Congoleum Reports First Quarter Results”. Business Wire. May 8, 2002.

<sup>13</sup> “American Biltrite Reports First Quarter Results, Declares Dividend”. Business Wire. May 8, 2002.

<sup>14</sup> “Congoleum Corporation Reports Second Quarter Results”. Business Wire. August 6, 2002.

<sup>15</sup> “Congoleum Corporation Reports Second Quarter Results”. Business Wire. August 6, 2002.

<sup>16</sup> “Congoleum Corporation Reports Second Quarter Results”. Business Wire. August 6, 2002.

<sup>17</sup> “Congoleum Corporation Reports Second Quarter Results”. Business Wire. August 6, 2002.

## EXHIBIT 10

"From a financial perspective, we expect improvement from a recent price increase, continued progress in cost reductions, and modest capital requirements as we look ahead. While we are not expecting much improvement in the overall economy or the manufactured housing business, we expect all the above should benefit our operating results [quoted from Roger Marcus, Congoleum Chairman of the Board]."<sup>18</sup>

"While the economic outlook is generally uncertain at best, I am encouraged about Congoleum's prospects for several additional reasons. First is our continuing product leadership...A second reason I am encouraged is that the 2002 price increase, coupled with additional manufacturing cost reduction initiatives underway, should help improve margins for 2003. Finally, I am confident that the manufactured housing industry will eventually recover, although probably not before 2004...[quoted from Roger Marcus, Congoleum Chairman of the Board]."<sup>19</sup>

"Although improvement in demand for manufactured housing products does not appear imminent, there are several other reasons why we are optimistic about the balance of 2003. First, we are firmly committed to managing our expenses and continuing to improve efficiencies. Second, we have two exciting new products that will be introduced early in the second half of the year. Finally, the economic outlook and consumer confidence should improve with the war in Iraq effectively over. These factors should contribute to improving results as we move forward [quoted from Roger Marcus, Congoleum Chairman of the Board]."<sup>20</sup>

"We are committed to achieving profitability in the second half of 2003, and believe this is a realistic goal even without a meaningful improvement in sales. We have taken and are taking a number of steps that should provide better results in the third, and particularly fourth quarters as the savings phase in [quoted from Roger Marcus, Congoleum Chairman of the Board]."<sup>21</sup>

"Finally, while we are not allowing optimism to diffuse our cost reduction fervor, we have seen recent indications of economic improvement. Orders from the manufactured housing industry have shown some strengthening over the last six weeks and there are also indications that remodel demand is picking up. Any improvement in industry conditions should further amplify the benefit of the changes we are making in our cost structure [quoted from Roger Marcus, Congoleum Chairman of the Board]."<sup>22</sup>

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<sup>18</sup> "Congoleum Corporation Seeking to Resolve Asbestos Liability". Business Wire. January 13, 2003.

<sup>19</sup> "Congoleum Corporation Reaches Agreement in Principle to Settle Asbestos Claims, Announces 2002 Results". Business Wire. March 31, 2003.

<sup>20</sup> "Congoleum Corporation Reports First Quarter Results". Business Wire. May 14, 2003.

<sup>21</sup> "Congoleum Corporation Reports Second Quarter Results". Business Wire. August 12, 2003.

<sup>22</sup> "Congoleum Corporation Reports Second Quarter Results". Business Wire. August 12, 2003.

## EXHIBIT 11

“Sales for the three months ended September 30, 2003 were \$61.1 million, compared with sales of \$57.7 million reported in the third quarter of 2002, an increase of 5.9%.”<sup>23</sup>

“Net income for the quarter ended September 30, 2003 was \$1.3 million versus net income of \$.6 million in the third quarter of 2002.”<sup>24</sup>

“Congoleum showed a respectable six percent sales increase, and, with the aid of a tax refund, had a profitable quarter [Q3 2003].”<sup>25</sup>

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<sup>23</sup> “Congoleum Corporation Reports Third Quarter Results”. Business Wire. November 11, 2003.

<sup>24</sup> “Congoleum Corporation Reports Third Quarter Results”. Business Wire. November 11, 2003.

<sup>25</sup> “American Biltrite Reports Third Quarter Results”. Business Wire. November 11, 2003.

## EXHIBIT 12

“Roger S. Marcus, Chairman of the Board, commented ‘Our disappointing performance [in Q2 2003] reflects the weakest manufactured housing market in years, considerable softness in residential remodel demand, competitive pressures on margin and product mix driven by the poor economy, and increased costs for pensions, medical benefits, insurance, energy, and raw materials. While the factors influencing this performance are largely out of our control, it is not satisfactory and we are committed to major steps that we expect should considerably reduce our break-even point. These include cost reduction initiatives as well as an already announced price increase of 3-5% that will be effective September 1.’”<sup>26</sup>

“...we have initiated a number of cost reduction steps this year to offset these increases, and the benefit of these efforts can be seen in the improvement in results in the third quarter over the second quarter [of 2003]. We expect our profit margins in the future will continue to benefit from the steps we have taken, as well as from a 3-5% price increase announced in September [quoted from Roger Marcus, Congoleum Chairman of the Board].”<sup>27</sup>

“Mr. Marcus [Congoleum Chairman of the Board] continued, ‘The improvement in financial results from the second to the third quarter is but one of several positive developments. We also just signed a second five year labor contract, giving us long term agreements through 2008 covering our two largest plants.’”<sup>28</sup>

“Mr. Marcus [Congoleum Chairman of the Board] continued, ‘We took a number of steps during 2003 to mitigate these factors and improve both profitability and liquidity in 2004. We reduced our workforce by 146 people or 14%, for a savings of over \$7 million, the majority of which will be realized in 2004. We instituted manufacturing waste reduction initiatives saving \$3.5 million and took steps to cut operating expenses by \$3 million, also with the bulk of the saving to be achieved in 2004. Finally, we instituted a 3% price increase in the fourth quarter of 2003 to help offset inflation in benefits, energy, and certain raw materials.’”<sup>29</sup>

<sup>26</sup> “Congoleum Corporation Reports Second Quarter Results”. Business Wire. August 12, 2003.

<sup>27</sup> “Congoleum Corporation Reports Third Quarter Results”. Business Wire. November 11, 2003.

<sup>28</sup> “Congoleum Corporation Reports Third Quarter Results”. Business Wire. November 11, 2003.

<sup>29</sup> “Congoleum Corporation Reports 2003 Results”. Business Wire. March 11, 2004.

## EXHIBIT 12

“Based on the actions we have taken to reduce our cost structure, we are optimistic that our results in 2004 will be significantly better than 2003. [Quoted by Roger Marcus, Congoleum Chairman of the Board.]”<sup>30</sup>

“Roger S. Marcus, Chairman of the Board, commented, ‘Our sales performance for the second quarter and first half of 2002 has been excellent, thanks to the continued success of Ultima (introduced in the fall of 2000), overwhelming demand for the DuraStone line we brought out last August, and very favorable response to improvements in our line of products for the builder market.’”<sup>31</sup>

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<sup>30</sup> “Congoleum Corporation Reports 2003 Results”. Business Wire. March 11, 2004.

<sup>31</sup> “Congoleum Corporation Reports Second Quarter Results”. Business Wire. August 6, 2002.



### EXHIBIT 13

"It appears the manufactured housing market may have at last bottomed out, and any growth in that industry would further help our 2004 performance. [Quoted by Roger Marcus, Congoleum Chairman of the Board.]"<sup>32</sup>

"Mr. Marcus [Congoleum Chairman of the Board] continued, 'We took a number of steps during 2003 to mitigate these factors and improve both profitability and liquidity in 2004. We reduced our workforce by 146 people or 14%, for a savings of over \$7 million, the majority of which will be realized in 2004. We instituted manufacturing waste reduction initiatives saving \$3.5 million and took steps to cut operating expenses by \$3 million, also with the bulk of the saving to be achieved in 2004. Finally, we instituted a 3% price increase in the fourth quarter of 2003 to help offset inflation in benefits, energy, and certain raw materials.'"<sup>33</sup>

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<sup>32</sup> "Congoleum Corporation Reports 2003 Results". Business Wire. March 11, 2004.

<sup>33</sup> "Congoleum Corporation Reports 2003 Results". Business Wire. March 11, 2004.

## EXHIBIT 14

“Gross profit for the quarter ended March 31, 2004 totaled \$13.5 million, or 26.1% of net sales, compared to \$12.7 million, or 23.6% of net sales for the same period last year. The improvement in gross margin reflects an **improvement in sales mix, the benefit of cost reduction programs and a price increase instituted in late 2003**, partially offset by the unfavorable impact of lower production volumes over which to spread fixed manufacturing costs.”<sup>34</sup>

“**Selling, general and administrative expenses** were \$12.0 million for the quarter ended March 31, 2004 as compared to \$13.2 million for the quarter ended March 31, 2003, a **decrease of \$1.2 million**.”<sup>35</sup>

“**As a percent of net sales, selling, general & administrative costs were 23.0%** for the quarter ended March 31, 2004 **compared to 24.6% for the same period last year**.”<sup>36</sup>

“**Income from operations was \$1.6 million for the quarter ended March 31, 2004 compared to a loss of \$0.5 million for the quarter ended March 31, 2003**. The improvement in operating expenses was a result of the **improved gross margins and lower selling, general and administrative expenses**.”<sup>37</sup>

“The consolidated financial statements of the Company have been prepared on a **going concern basis**, which contemplates the **realization of assets and the satisfaction of liabilities in the normal course of business**.”<sup>38</sup>

“Unrestricted **cash and cash equivalents**, including short-term **investments at March 31, 2004, were \$10.5 million, an increase of \$8.3 million** from December 31, 2003.”<sup>39</sup>

<sup>34</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

<sup>35</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

<sup>36</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

<sup>37</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

<sup>38</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

<sup>39</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

## EXHIBIT 14

**“The Company’s principal sources of capital are net cash provided by operating activities and borrowings under its financing agreement. Although the Company did not generate cash from operations in 2003, the Company anticipates that it will generate cash from operations in 2004.”**<sup>40</sup>

**“The Company believes these sources [net cash provided by operating activities and borrowings under its financing agreement] will be adequate to fund working capital requirements, debt service payments, and planned capital expenditures for the foreseeable future, plus its current estimates for costs to settle and resolve its asbestos liabilities through its pre-packaged chapter 11 plan of reorganization.”**<sup>41</sup>

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<sup>40</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

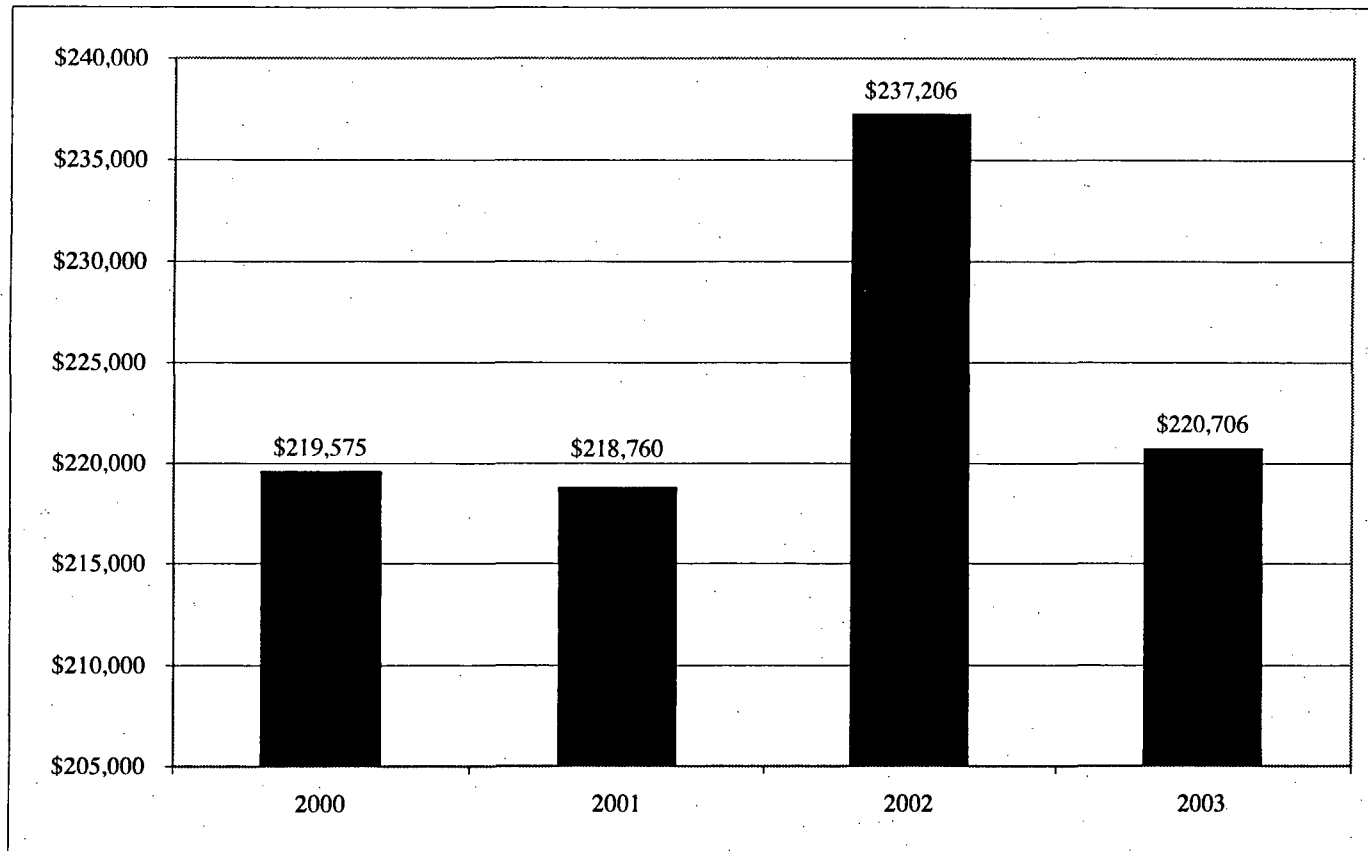
<sup>41</sup> Congoleum Corporation form 10-Q for the Quarter Ended March 31, 2004.

**EXHIBIT 15**

**CONGOLEUM CORPORATION**

**Net Sales**

Fiscal Years-Ended 2000 - 2003  
(\$000s)



Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 15**

**CONGOLEUM CORPORATION**

**Net Sales**

Fiscal Years-Ended 2000 - 2003  
(\$000s)

	For the Year-Ended December 31,				For the Latest Twelve Months Ended March 31,
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net Sales	\$ 219,575	\$ 218,760	\$ 237,206	\$ 220,706	\$ 219,125

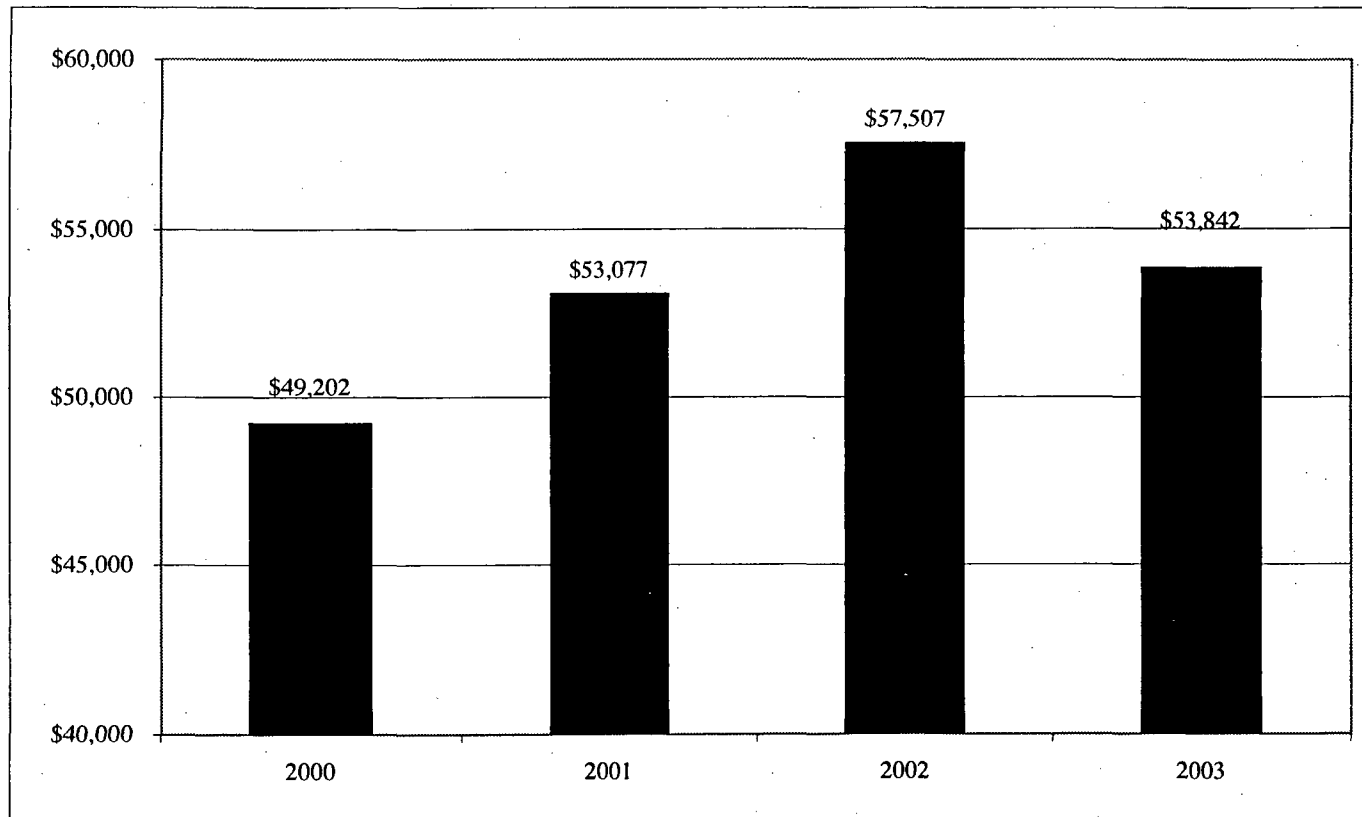
Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 16**

**CONGOLEUM CORPORATION**

**Gross Profit**

Fiscal Years-Ended 2000 - 2003  
(\$000s)



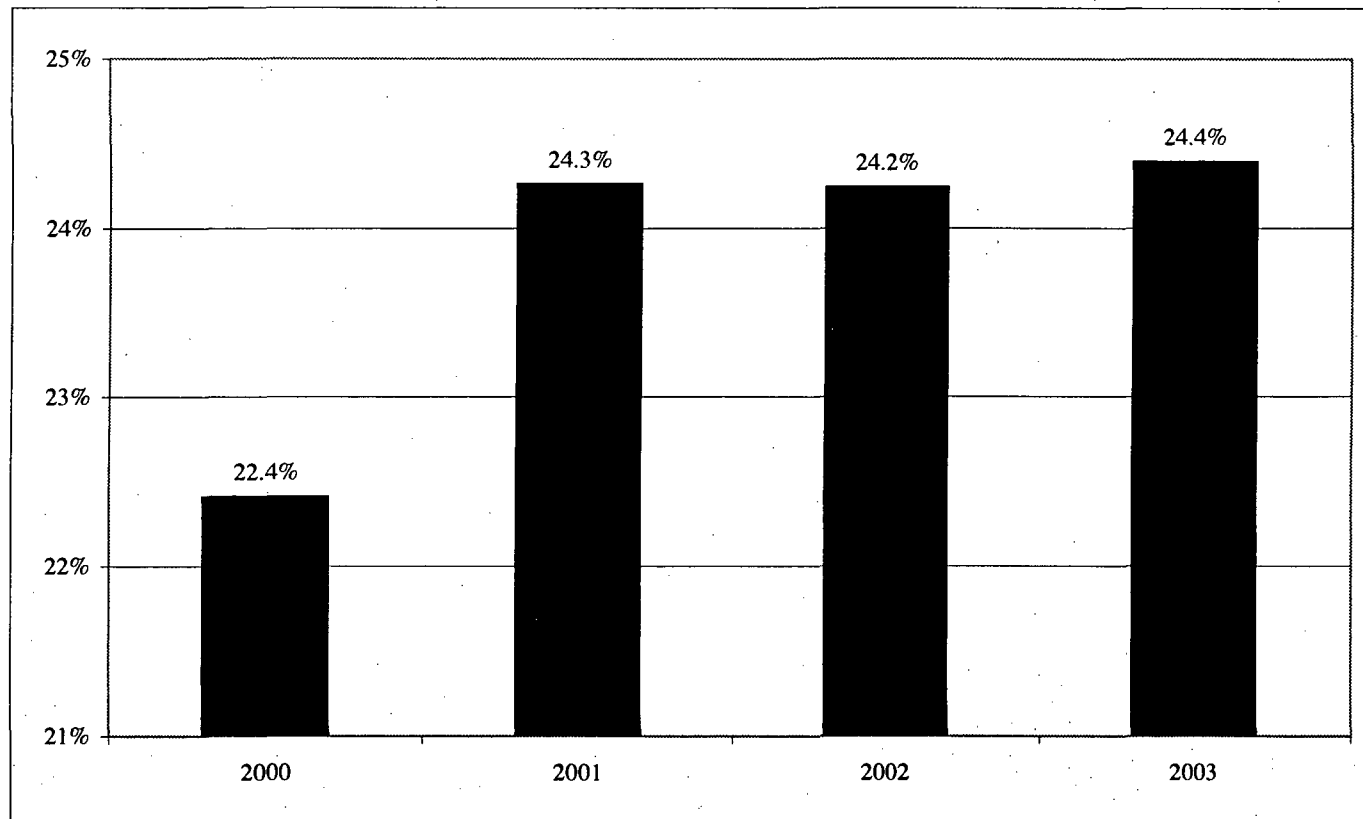
Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 16**

**CONGOLEUM CORPORATION**

**Gross Margin**

Fiscal Years-Ended 2000 - 2003



Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 16**

**CONGOLEUM CORPORATION**  
**Gross Profit and Gross Margin**

Fiscal Years-Ended 2000 - 2003  
(\$000s)

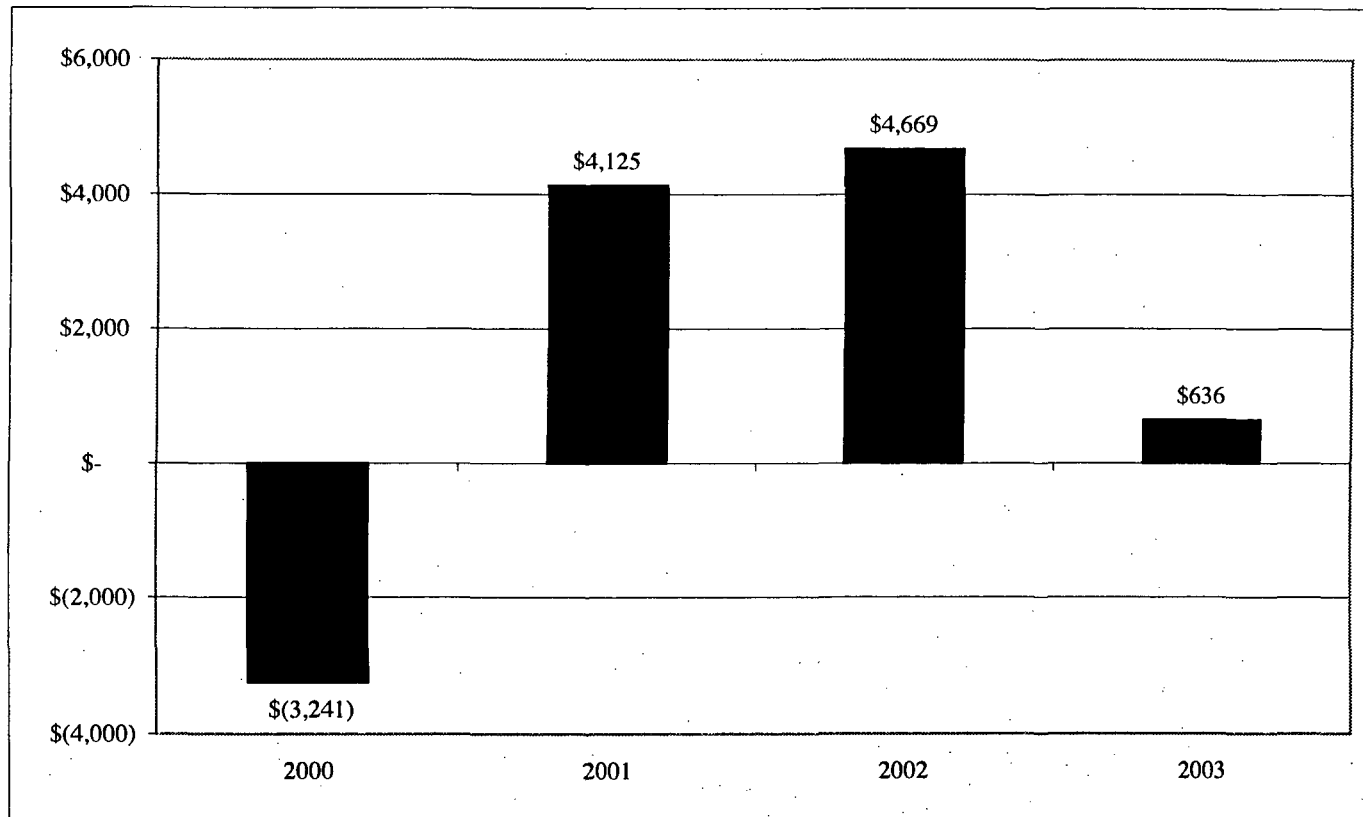
	For the Year-Ended December 31,				For the Latest Twelve Months Ended March 31,
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Gross Profit	\$ 49,202	\$ 53,077	\$ 57,507	\$ 53,842	\$ 54,726
Gross Margin	22.4%	24.3%	24.2%	24.4%	25.0%

Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.



**EXHIBIT 17**

**CONGOLEUM CORPORATION**  
**Operating Income (EBIT)**  
Fiscal Years-Ended 2000 - 2003  
(\$000s)



Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 17**

**CONGOLEUM CORPORATION**  
**Operating Income (EBIT)**

Fiscal Years-Ended 2000 - 2003  
(\$000s)

	For the Year-Ended December 31,				For the Latest Twelve Months Ended March 31,
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating Income (EBIT)	\$ (3,241)	\$ 4,125	\$ 4,669	\$ 636	\$ 2,738

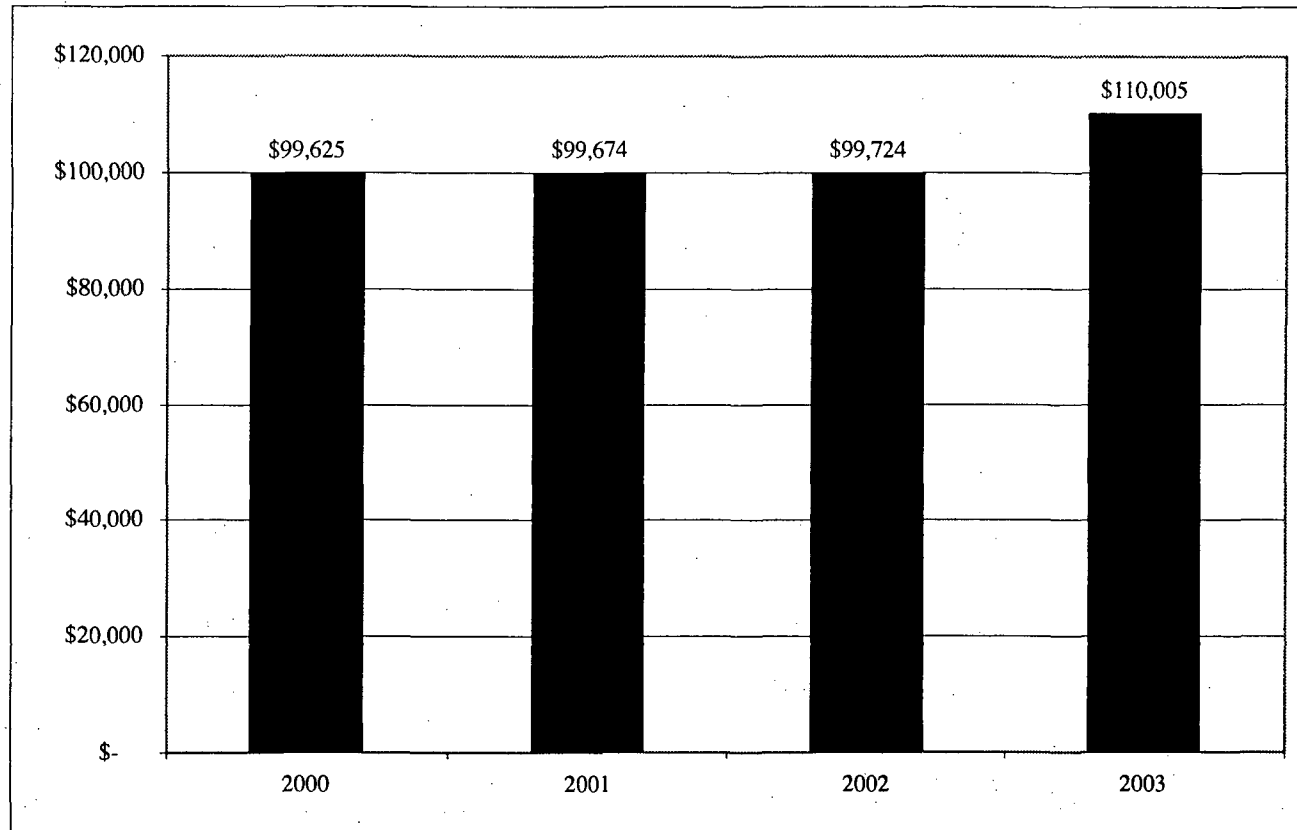
**Note:**

EBIT is adjusted for the impact of asbestos related charges. The adjustment was obtained from the data included in the footnotes of Congoleum's forms 10-K for the years ended December 31, 2000 through 2003. The asbestos adjustment was \$3.6 million, \$17.3 million and \$3.7 million for 2000, 2002 and 2003, respectively. No adjustment was necessary for 2001.

Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 18**

**CONGOLEUM CORPORATION**  
**Total Interest-Bearing Debt**  
Fiscal Years-Ended 2000 - 2003  
(\$000s)



Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

**EXHIBIT 18**

**CONGOLEUM CORPORATION**  
**Total Interest-Bearing Debt**

Fiscal Years-Ended 2000 - 2003  
(\$000s)

	For the Year-Ended December 31,				For the Quarter-Ended March 31,
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Long-term debt	\$ 99,625	\$ 99,674	\$ 99,724	\$ 99,773	\$ 100,000
Revolving credit facility	-	-	-	10,232	11,237
Total Interest-Bearing Debt	<u>\$ 99,625</u>	<u>\$ 99,674</u>	<u>\$ 99,724</u>	<u>\$ 110,005</u>	<u>\$ 111,237</u>

Source: Congoleum forms 10-K for the years ended December 31, 2001 - 2003.

## EXHIBIT 19

“Q: Then there’s a footnote down here under ‘Balance Sheet,’ [in Congress Financial’s Financial Statement Summary Memo] and I think this basically confirms something you said before under the second bullet point.

**‘The client has no outstanding revolver debt owed to CFC during the 2002 fiscal period.’**

Do you see that?

A: Yes.

Q: And that’s accurate: **in 2002, there was no outstanding revolver, right?**

A: Yes.

Q: **And was that because Congoleum was able to finance its liquidity needs through its internal cash flow in 2002?**

A: Yes.”<sup>1</sup>

“The client has **no outstanding revolver debt** owed to CFC during the 2002 fiscal year.”<sup>2</sup>

“Borrowings under this facility [the line of credit] are collateralized by inventory and receivables. **At December 31, 2003, based on the level of receivables and inventory, \$22.4 million was available under the facility, of which \$4.1 million was utilized for outstanding letters of credit and \$10.2 million was utilized by the revolving loan.**”<sup>3</sup>

**“At March 31, 2004, based on the level of receivables and inventory, \$26.6 million was available under the facility [the line of credit], of which \$4.0 million was utilized for outstanding letters of credit and \$11.2 million was utilized by the revolving loan.”**<sup>4</sup>

<sup>1</sup> Deposition of Robert Peter Strack, November 25, 2003.

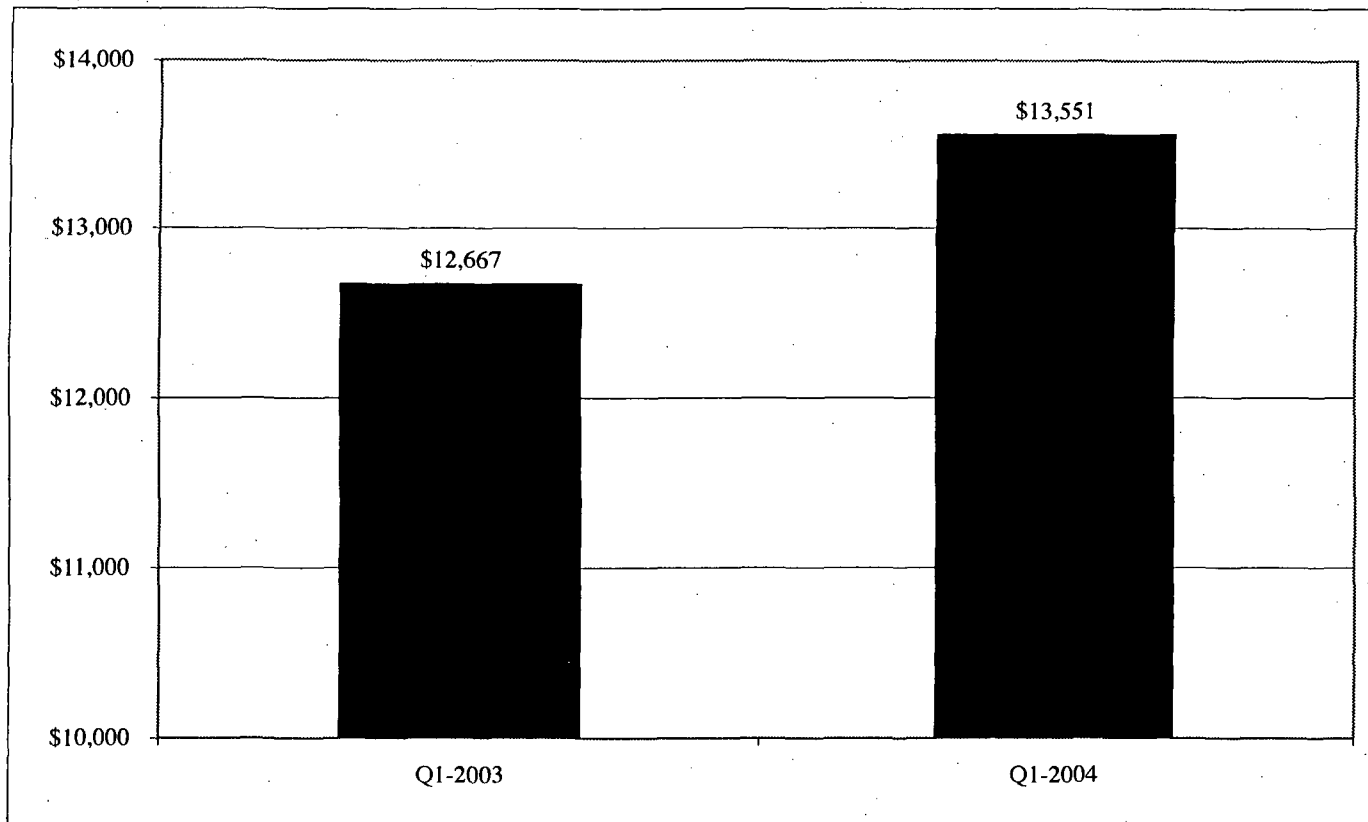
<sup>2</sup> Congress Financial Co, financial Statement Summary Memo for Congoleum dated April 25, 2004 (Bates No. CFC 000188).

<sup>3</sup> Congoleum Corporation form 10-K for the year ended December 31, 2003.

<sup>4</sup> Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 20**

**CONGOLEUM CORPORATION**  
**Gross Profit**  
First Quarter 2003 vs. First Quarter 2004  
(\$000s)



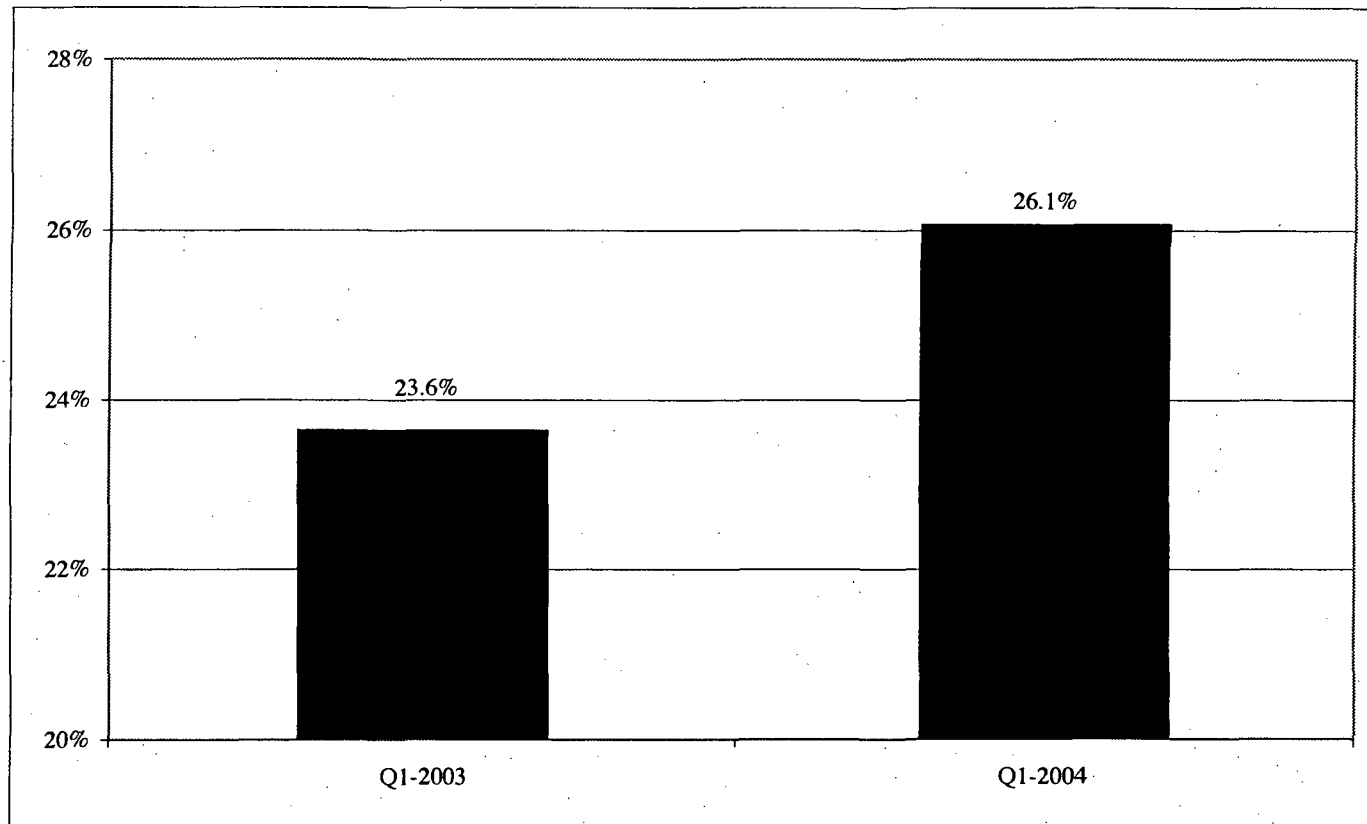
Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 20**

**CONGOLEUM CORPORATION**

**Gross Margin**

First Quarter 2003 vs. First Quarter 2004



Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 20**

**CONGOLEUM CORPORATION**  
**Gross Profit and Gross Margin**  
First Quarter 2003 vs. First Quarter 2004  
(\$000s)

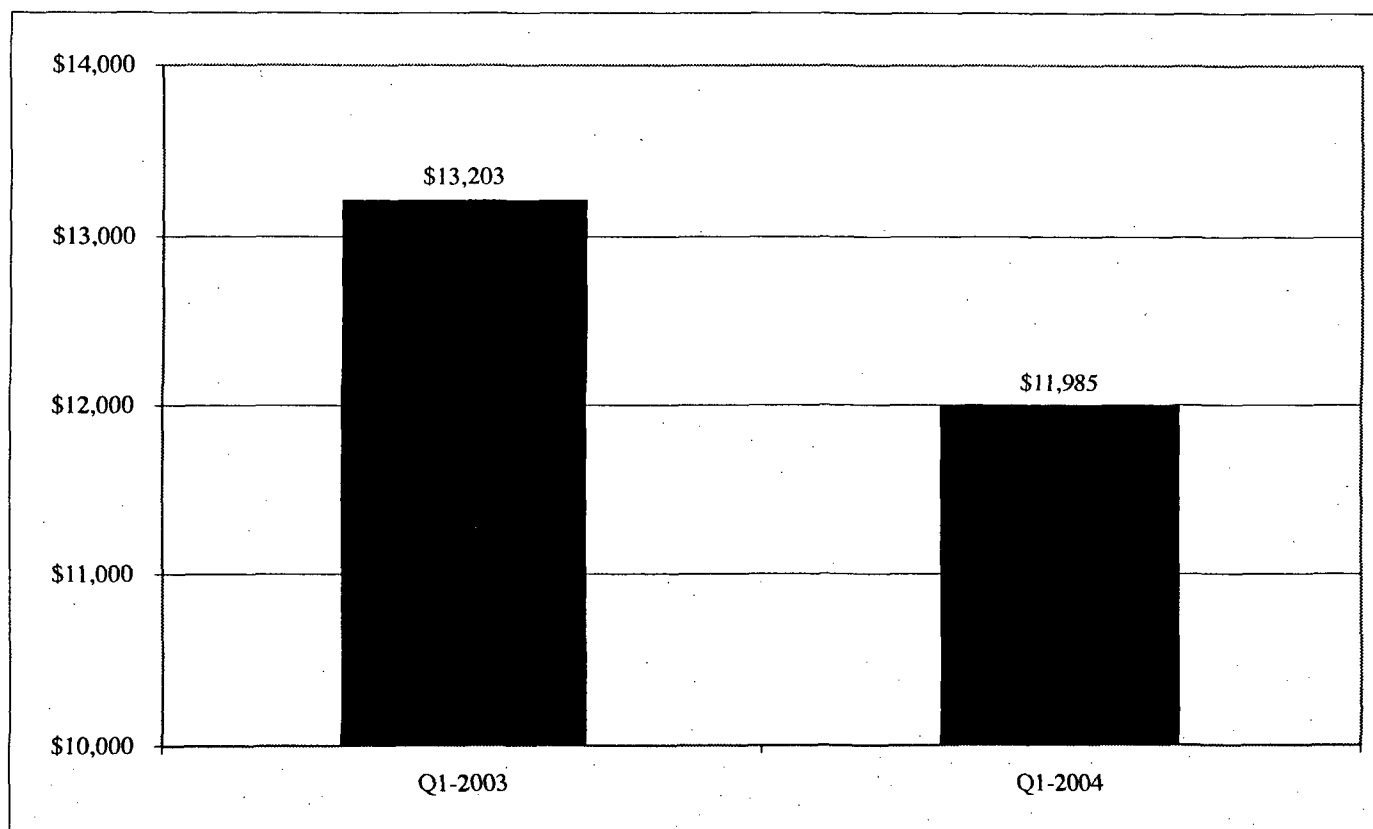
	For the Quarter Ended March 31,	
	<u>2003</u>	<u>2004</u>
Gross Margin	\$ 12,667	\$ 13,551
Gross Margin as a % of Sales	23.6%	26.1%

Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.



**EXHIBIT 21**

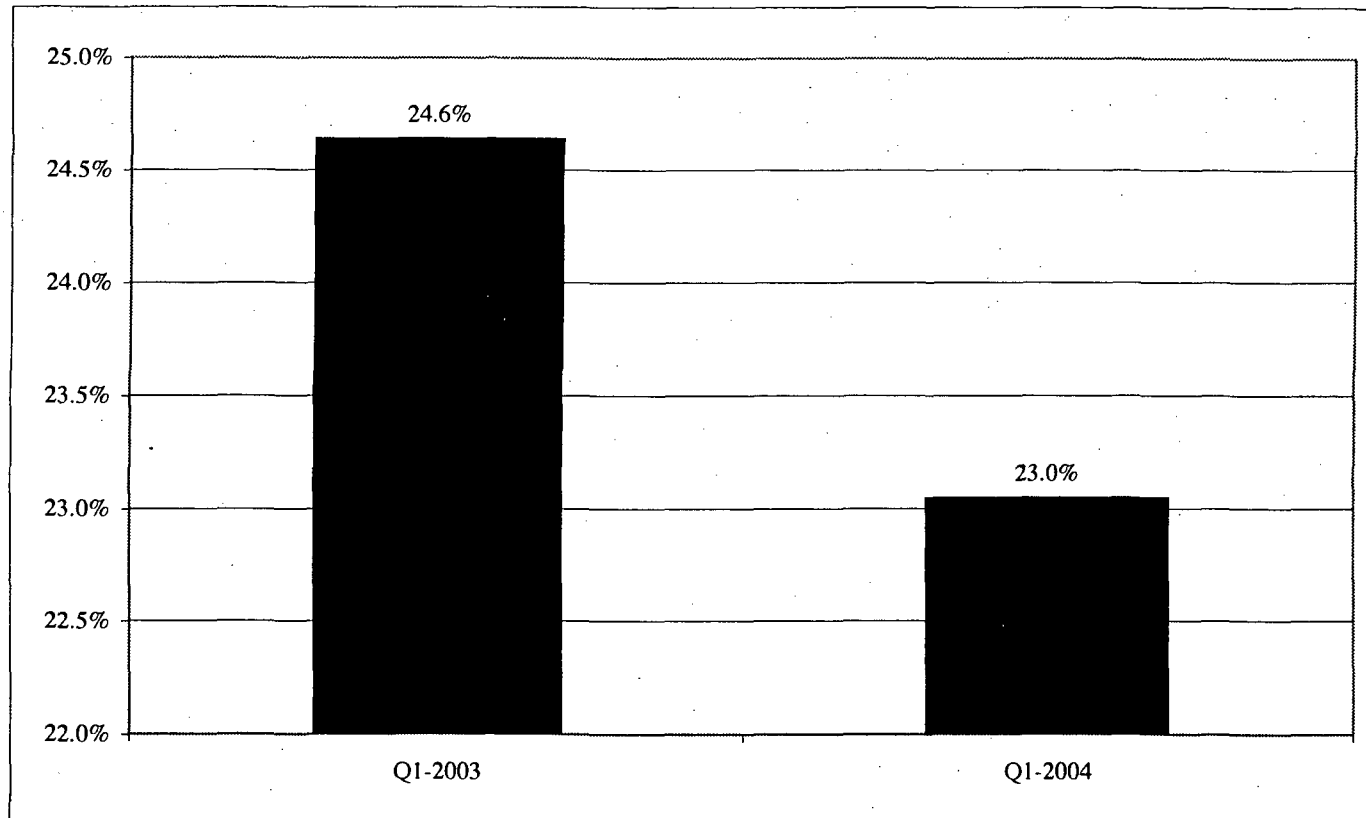
**CONGOLEUM CORPORATION**  
**Selling, General, and Administrative Expense**  
First Quarter 2003 vs. First Quarter 2004  
(\$000s)



Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 21**

**CONGOLEUM CORPORATION**  
**SG&A Expense as a % of Net Sales**  
First Quarter 2003 vs. First Quarter 2004



Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 21**

**CONGOLEUM CORPORATION**  
**Selling, General, and Administrative Expense**  
First Quarter 2003 vs. First Quarter 2004  
(\$000s)

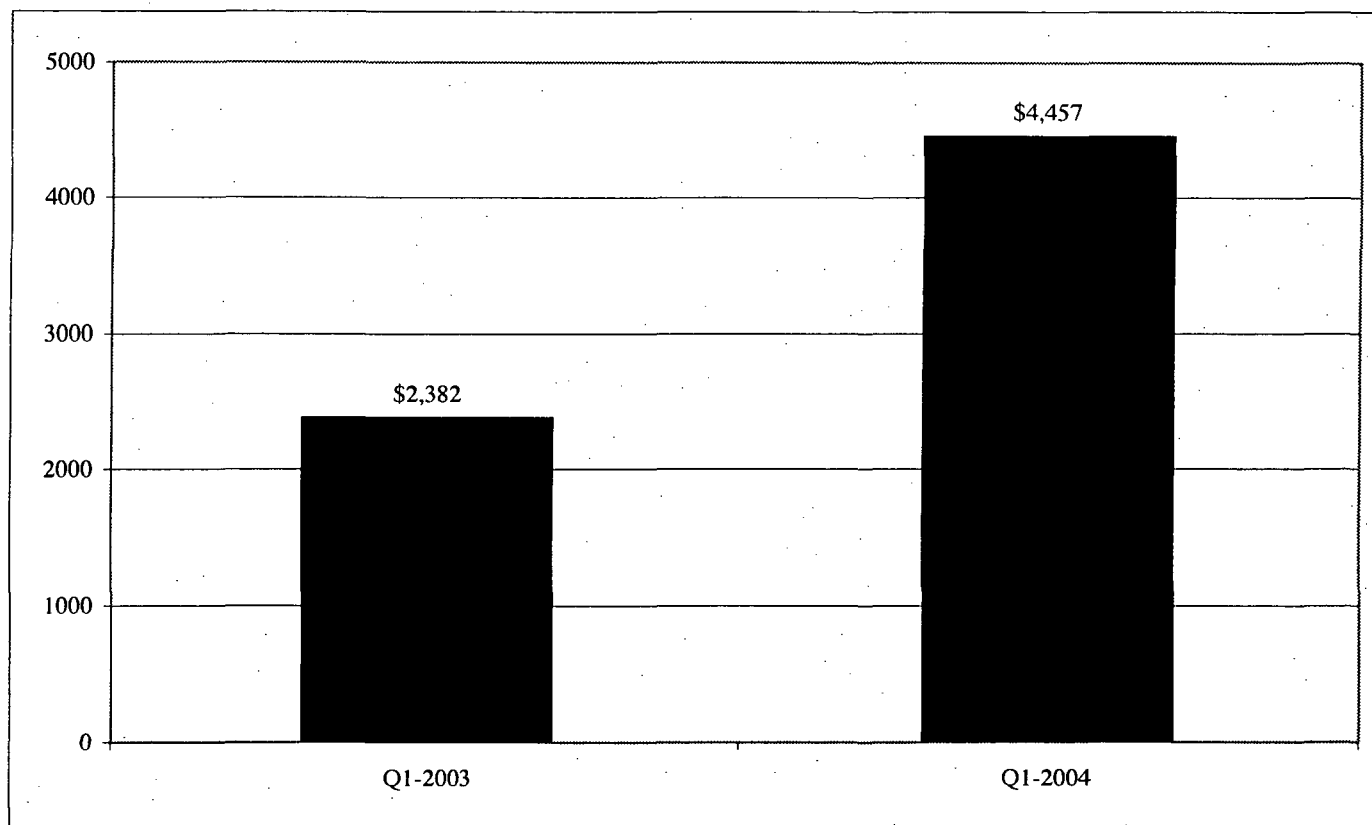
	For the Quarter Ended March 31,	
	<u>2003</u>	<u>2004</u>
Selling, General, and Administrative Expense	\$ 13,203	\$ 11,985
SG&A Expense as a % of Net Sales	24.6%	23.0%

Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 22**

**CONGOLEUM CORPORATION**  
**EBITDA**

First Quarter 2003 vs. First Quarter 2004  
(\$000s)

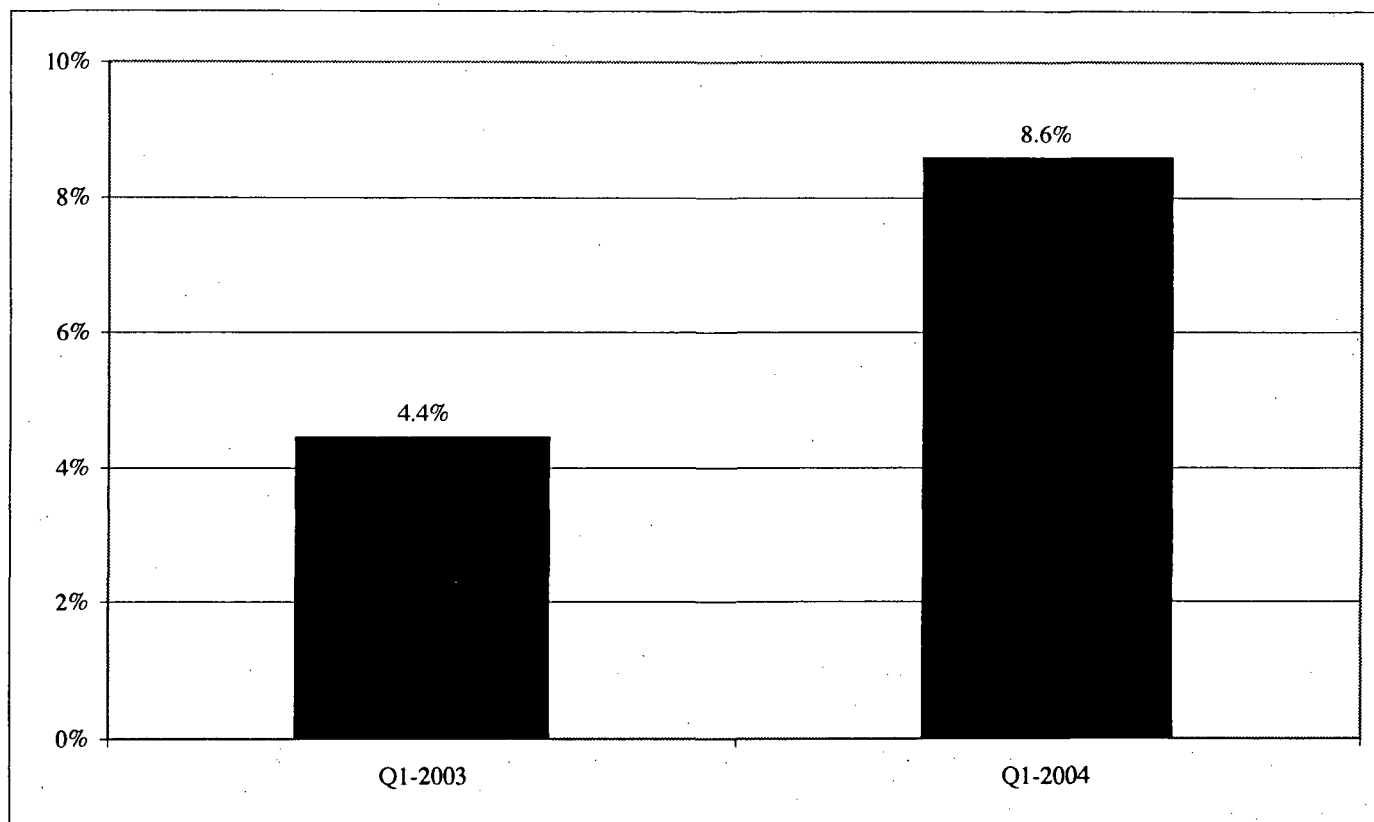


Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 22**

**CONGOLEUM CORPORATION**  
**EBITDA as a % of Net Sales**

First Quarter 2003 vs. First Quarter 2004



Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 22**

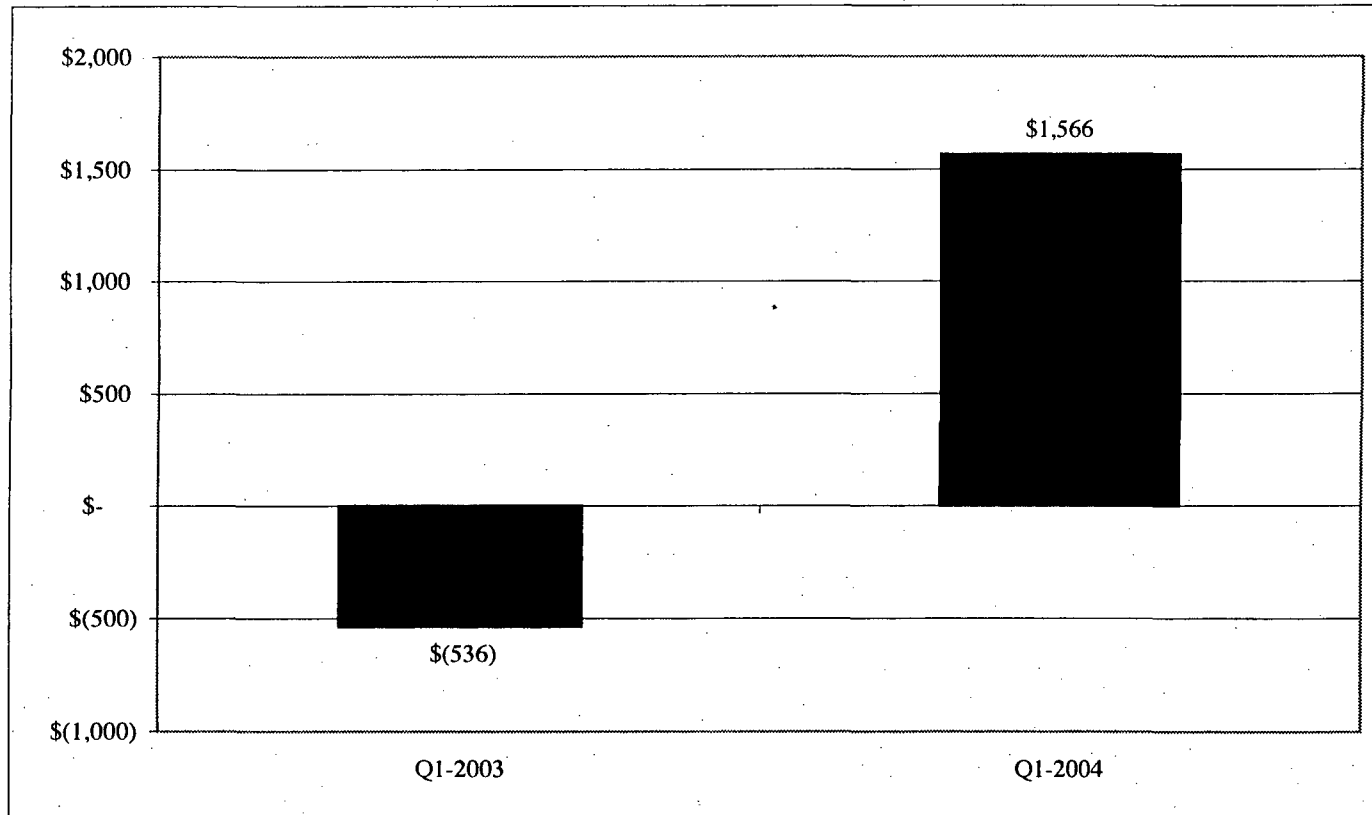
**CONGOLEUM CORPORATION**  
**EBITDA as a % of Net Sales**  
First Quarter 2003 vs. First Quarter 2004

	For the Quarter Ended March 31,	
	<u>2003</u>	<u>2004</u>
EBITDA (\$000s)	\$ 2,382	\$ 4,457
EBITDA as a % of Net Sales	4.4%	8.6%

Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 23**

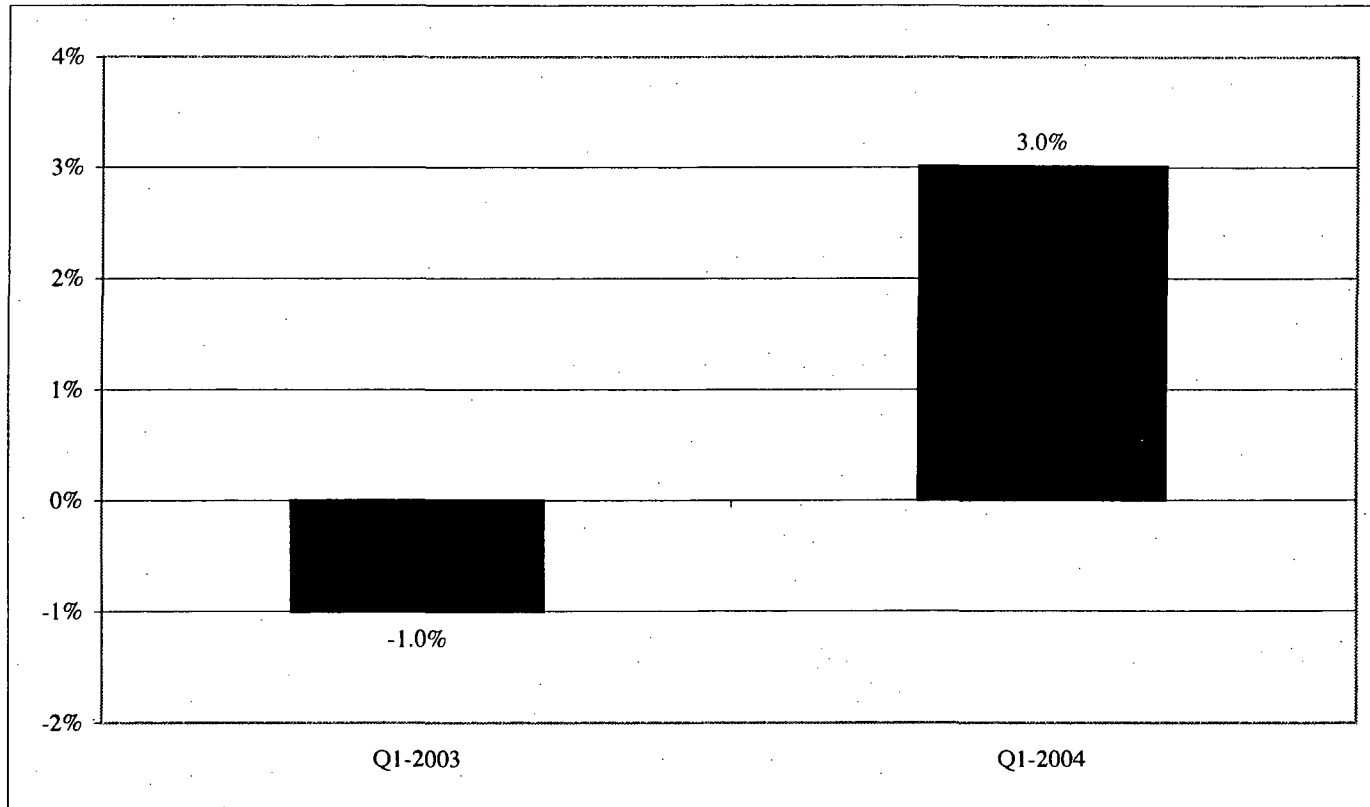
**CONGOLEUM CORPORATION**  
**Operating Income (EBIT)**  
First Quarter 2003 vs. First Quarter 2004  
(\$000s)



Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 23**

**CONGOLEUM CORPORATION**  
**Operating Income (EBIT) as a % of Net Sales**  
First Quarter 2003 vs. First Quarter 2004



Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.



**EXHIBIT 23**

**CONGOLEUM CORPORATION**

**Operating Income (EBIT) as a % of Net Sales**

First Quarter 2003 vs. First Quarter 2004

	For the Quarter Ended March 31,	
	<u>2003</u>	<u>2004</u>
Operating Income (EBIT) (\$000s)	\$ (536)	\$ 1,566
Operating Income (EBIT) as a % of Net Sales	-1.0%	3.0%

Source: Congoleum Corporation form 10-Q for the quarter ended March 31, 2004.

**EXHIBIT 24**

**CONGOLEUM CORPORATION**

**Short Interest**

Monthly: February 2004 - May 2004

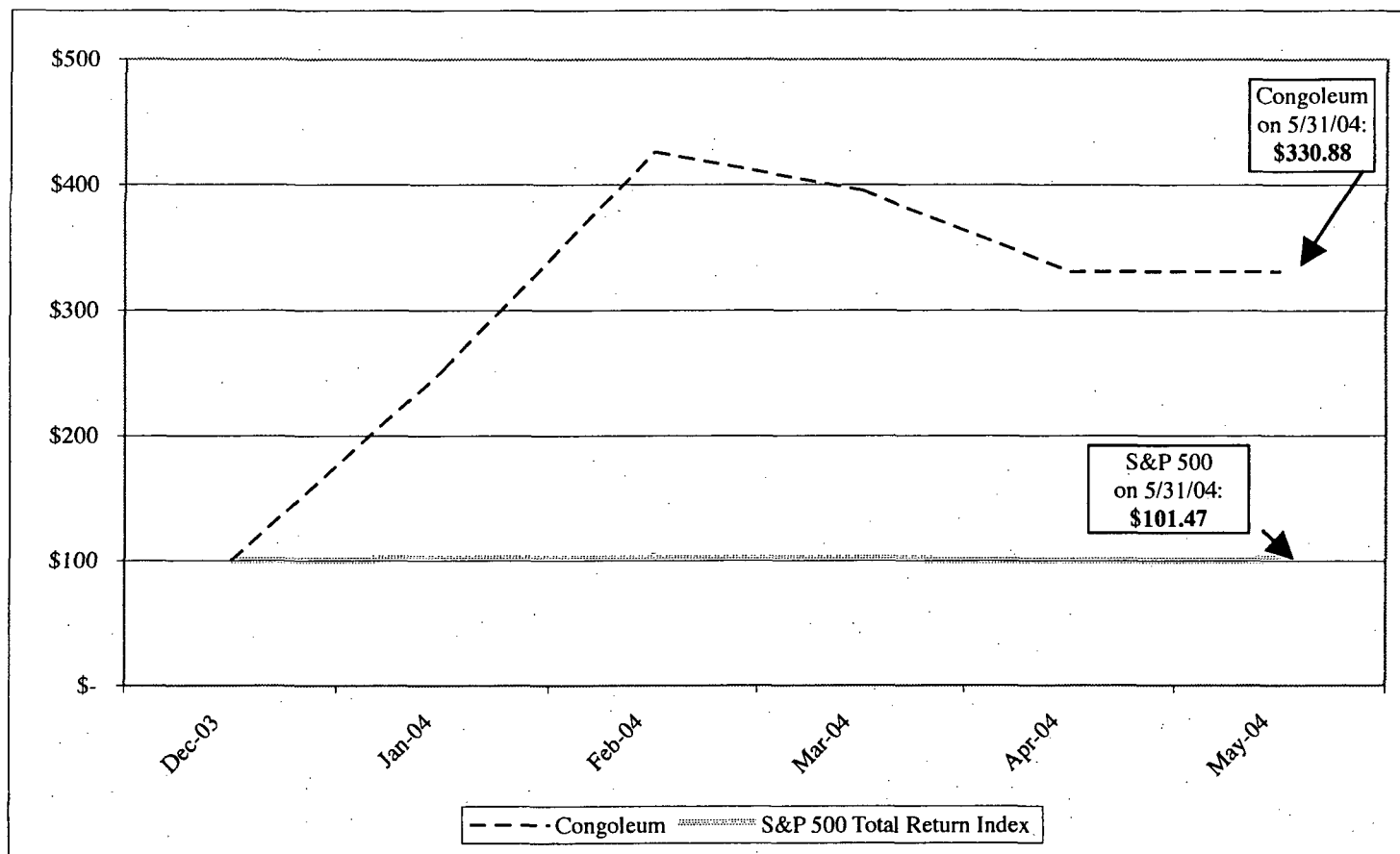
	<u>Congoleum Corporation</u>
Shares (millions)	
5/10/04	0.001
4/7/04	0.001
3/8/04	0.005
2/9/04	0.001
% Outstanding shares	
5/10/04	0.012%
4/7/04	0.012%
3/8/04	0.061%
2/9/04	0.012%

Source: Data obtained from [www.reuters.com](http://www.reuters.com) on June 14, 2004.

**EXHIBIT 25**

**CONGOLEUM CORPORATION**

**Value of \$100 Invested in Congoleum vs. S&P 500 on December 31, 2003**



Source: FT Interactive.

**EXHIBIT 25**

**CONGOLEUM CORPORATION**

**Value of \$100 Invested in Congoleum vs. S&P 500 on December 31, 2003**

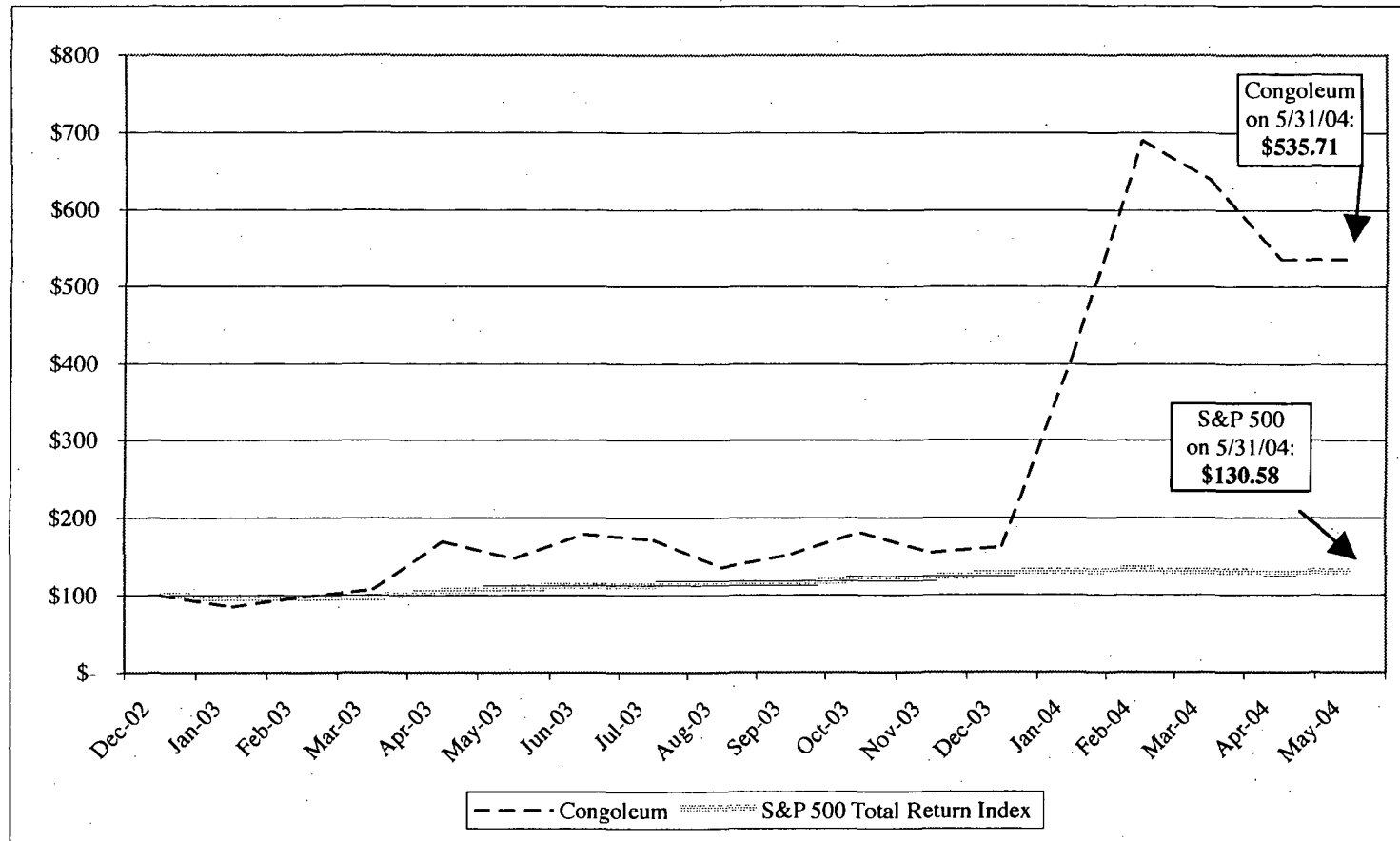
<u>Date</u>	Congoleum		S&P 500		Value of \$100	
	Stock	Total Return	Index		Invested in:	
	<u>Price</u>	<u>Index</u>		<u>Congoleum</u>	<u>S&amp;P 500</u>	
12/31/03	\$ 0.68	1,622.94		\$ 100.00	\$ 100.00	
1/31/04	1.72	1,652.73		252.94	101.84	
2/29/04	2.90	1,675.70		426.47	103.25	
3/31/04	2.69	1,650.42		395.59	101.69	
4/30/04	2.25	1,624.51		330.88	100.10	
5/31/04	2.25	1,646.80		330.88	101.47	

Source: FT Interactive.

**EXHIBIT 26**

**CONGOLEUM CORPORATION**

**Value of \$100 Invested in Congoleum vs. S&P 500 on December 31, 2002**



Source: FT Interactive.

# EXHIBIT 26

## CONGOLEUM CORPORATION

### Value of \$100 Invested in Congoleum vs. S&P 500 on December 31, 2002

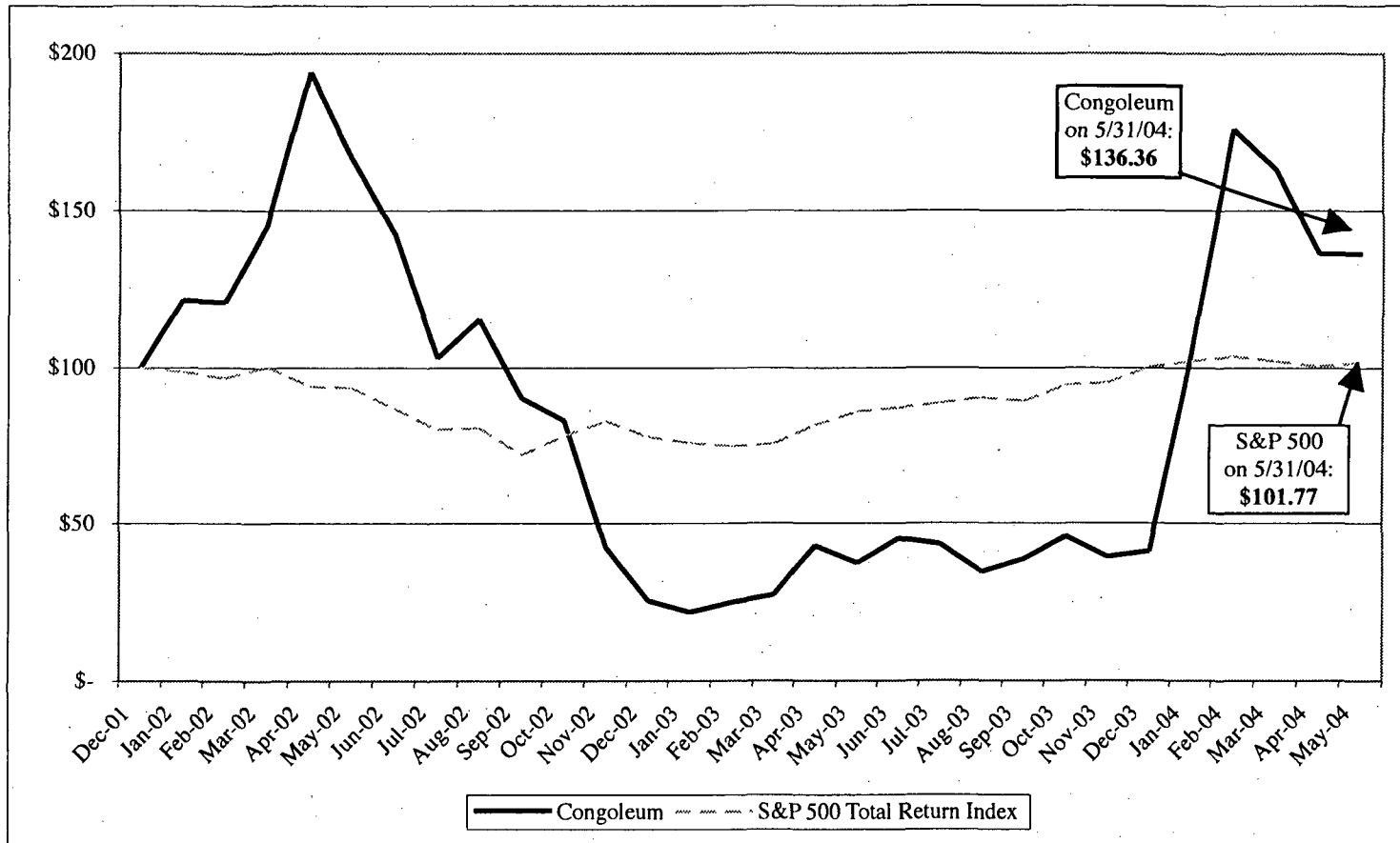
Date	Congoleum		S&P 500		Value of \$100 Invested in:		Date	Congoleum		S&P 500		Value of \$100 Invested in:	
	Stock Price	Total Return Index	Stock Price	Total Return Index	Congoleum	S&P 500		Stock Price	Total Return Index	Stock Price	Total Return Index	Congoleum	S&P 500
12/31/02	\$ 0.42	1,261.18			\$ 100.00	\$ 100.00	9/30/03	\$ 0.64	1,446.77	\$ 152.38	\$ 114.72		
1/31/03	0.36	1,228.14			85.71	97.38	10/31/03	0.76	1,528.62	180.95	121.21		
2/28/03	0.41	1,209.71			97.62	95.92	11/30/03	0.65	1,542.07	154.76	122.27		
3/31/03	0.45	1,221.46			107.14	96.85	12/31/03	0.68	1,622.94	161.90	128.68		
4/30/03	0.71	1,322.07			169.05	104.83	1/31/04	1.72	1,652.73	409.52	131.05		
5/31/03	0.62	1,391.72			147.62	110.35	2/29/04	2.90	1,675.70	690.48	132.87		
6/30/03	0.75	1,409.48			178.57	111.76	3/31/04	2.69	1,650.42	640.48	130.86		
7/31/03	0.72	1,434.33			171.43	113.73	4/30/04	2.25	1,624.51	535.71	128.81		
8/31/03	0.57	1,462.30			135.71	115.95	5/31/04	2.25	1,646.80	535.71	130.58		

Source: FT Interactive.

**EXHIBIT 27**

**CONGOLEUM CORPORATION**

**Value of \$100 Invested in Congoleum vs. S&P 500 on December 31, 2001**



Source: FT Interactive.

# EXHIBIT 27

## CONGOLEUM CORPORATION

### Value of \$100 Invested in Congoleum vs. S&P 500 on December 31, 2001

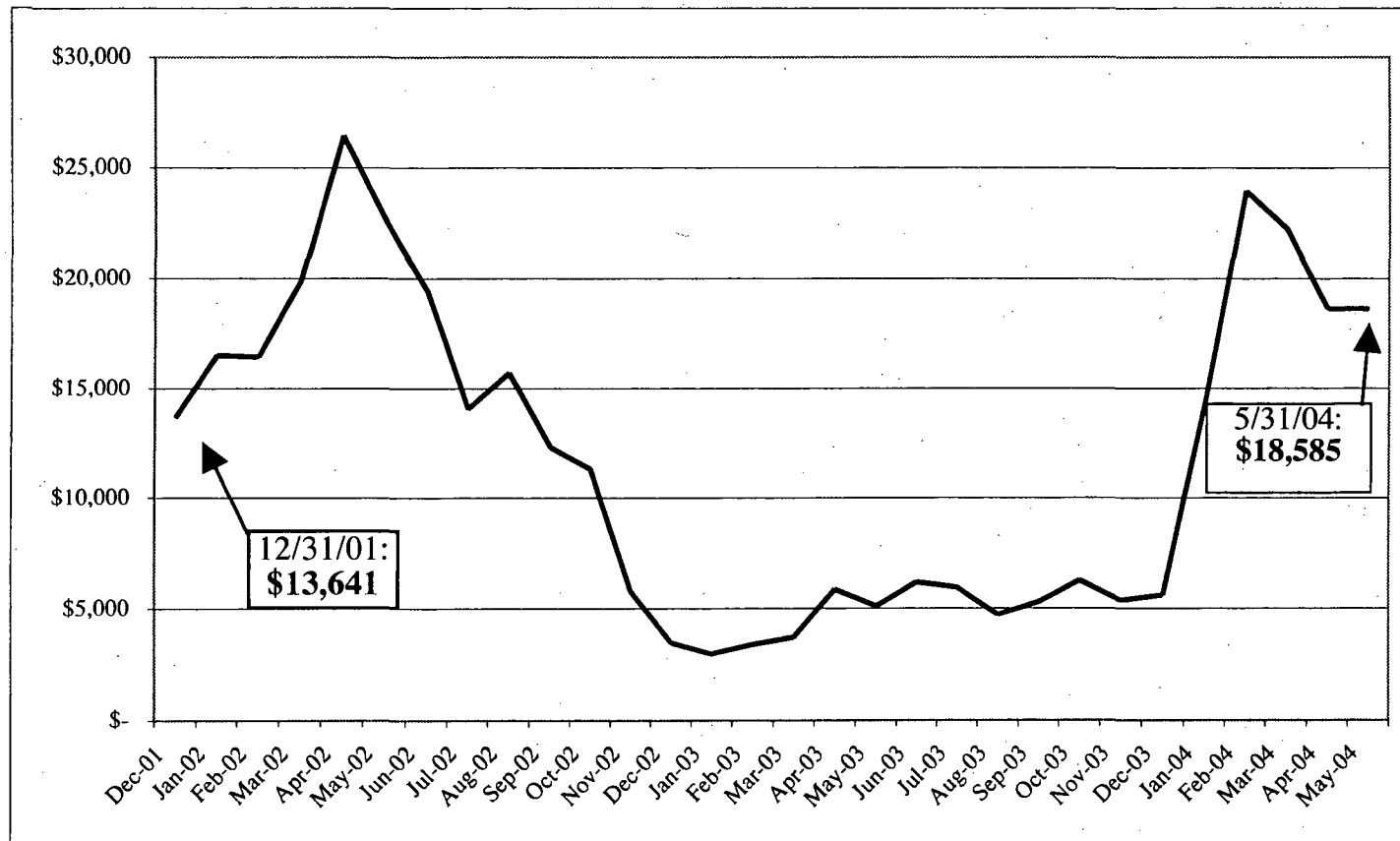
Congoleum					S&P 500					Value of \$100									
Stock					Total Return					Invested in:									
Date	Price		Index		Congoleum	S&P 500				Date	Price		Index		Congoleum	S&P 500			
12/31/01	\$	1.65	1,618.22		\$	100.00	\$	100.00		3/31/03	\$	0.45	1,221.46		\$	27.27	\$	75.48	
1/31/02		2.00	1,595.35			121.21		98.59		4/30/03		0.71	1,322.07			43.03		81.70	
2/28/02		1.99	1,564.59			120.61		96.69		5/31/03		0.62	1,391.72			37.58		86.00	
3/31/02		2.40	1,623.43			145.45		100.32		6/30/03		0.75	1,409.48			45.45		87.10	
4/30/02		3.20	1,525.00			193.94		94.24		7/31/03		0.72	1,434.33			43.64		88.64	
5/31/02		2.75	1,513.77			166.67		93.55		8/31/03		0.57	1,462.30			34.55		90.36	
6/30/02		2.35	1,405.94			142.42		86.88		9/30/03		0.64	1,446.77			38.79		89.41	
7/31/02		1.70	1,296.34			103.03		80.11		10/31/03		0.76	1,528.62			46.06		94.46	
8/31/02		1.90	1,304.86			115.15		80.64		11/30/03		0.65	1,542.07			39.39		95.29	
9/30/02		1.49	1,163.04			90.30		71.87		12/31/03		0.68	1,622.94			41.21		100.29	
10/31/02		1.37	1,265.41			83.03		78.20		1/31/04		1.72	1,652.73			104.24		102.13	
11/30/02		0.70	1,339.89			42.42		82.80		2/29/04		2.90	1,675.70			175.76		103.55	
12/31/02		0.42	1,261.18			25.45		77.94		3/31/04		2.69	1,650.42			163.03		101.99	
1/31/03		0.36	1,228.14			21.82		75.89		4/30/04		2.25	1,624.51			136.36		100.39	
2/28/03		0.41	1,209.71			24.85		74.76		5/31/04		2.25	1,646.80			136.36		101.77	

Source: FT Interactive.



**EXHIBIT 28**

**CONGOLEUM CORPORATION**  
**Market Value of Equity**  
December 31, 2001 - May 31, 2004  
\$000s



Source: FT Interactive.

# EXHIBIT 28

## CONGOLEUM CORPORATION

### Market Value of Equity

December 31, 2001 - May 31, 2004

\$000s, except share price data

<u>Date</u>	<u>Congoleum Stock Price</u>	<u>Total Shares Outstanding</u>	<u>Market Value</u>	<u>Date</u>	<u>Congoleum Stock Price</u>	<u>Total Shares Outstanding</u>	<u>Market Value</u>
12/31/01	\$ 1.65	8,267	\$ 13,641	3/31/03	\$ 0.45	8,260	\$ 3,717
1/31/02	2.00	8,260	16,520	4/30/03	0.71	8,260	5,865
2/28/02	1.99	8,260	16,437	5/31/03	0.62	8,260	5,121
3/31/02	2.40	8,260	19,824	6/30/03	0.75	8,260	6,195
4/30/02	3.20	8,260	26,432	7/31/03	0.72	8,260	5,947
5/31/02	2.75	8,260	22,715	8/31/03	0.57	8,260	4,708
6/30/02	2.35	8,260	19,411	9/30/03	0.64	8,260	5,286
7/31/02	1.70	8,260	14,042	10/31/03	0.76	8,260	6,278
8/31/02	1.90	8,260	15,694	11/30/03	0.65	8,260	5,369
9/30/02	1.49	8,260	12,307	12/31/03	0.68	8,260	5,617
10/31/02	1.37	8,260	11,316	1/31/04	1.72	8,260	14,207
11/30/02	0.70	8,260	5,782	2/29/04	2.90	8,260	23,954
12/31/02	0.42	8,260	3,469	3/31/04	2.69	8,260	22,219
1/31/03	0.36	8,260	2,974	4/30/04	2.25	8,260	18,585
2/28/03	0.41	8,260	3,387	5/31/04	2.25	8,260	18,585

Source: FT Interactive.

## **EXHIBIT 29**

### **CONGOLEUM COMPANY Comparable Company Selection Process**

#### **Step #1 – Identified the industry to search for comparable companies**

According to the Congoleum financial statements, the company is a vinyl floor covering manufacturer. Thompson Financial Disclosure listed Congoleum in the Dow Jones industry sector “Molded and Other Plastics.” Based on this information, a query was designed to locate all companies that were included in this description.

#### **Step #2 – Performed a search by industry sector for comparable companies**

A search of the Thompson Financial Disclosure database for companies in Congoleum’s Dow Jones Industry sector revealed 132 companies.

#### **Step #3 – Reviewed business descriptions**

A review of the business descriptions eliminated all but one of the companies listed. Each of the eliminated companies was either not a manufacturer of floor coverings or was not traded on a United States stock exchange. The sole remaining company, Armstrong, is currently in Chapter 11 and is not a viable comparable company for valuation purposes.

#### **Step #4 – Expanded search for comparable companies**

Based on a review of documents provided, CIBC had selected “Primary Comparable Companies” at some point in time (Bates Nos. CIBC000636 – 644). The same list of companies was also noted in handwritten notes labeled as “P. Rubsam files” (Bates nos. LT001127 – 1132). The business description of each of these companies was reviewed. Of the six companies listed by CIBC, only two were floor covering companies that were traded on a United States exchange, Interface, Inc. and Mohawk Industries, Inc.

#### **Step #5 – Reached a conclusion as to the list of comparable companies**

Based on the procedures outlined above, the following 2 companies are included in the comparable company analysis: Mohawk Industries, Inc. and Interface, Inc.

**Exhibit 30**

**CONGOLEUM CORPORATION**  
**Comparable Multiple Valuation Analysis**

As of June 10, 2004  
 \$000s

	<b>Enterprise Value Multiples</b>	
	<u>Revenue</u>	<u>EBITDA</u>
Congoleum Latest Twelve Month Figure	\$ 219,125	\$ 14,472
Median Multiple	1.01x	10.51x
Business Enterprise Value (BEV)	220,575	152,140
Less: Interest-bearing debt	(111,237)	(111,237)
Equity Value	<u>\$ 109,338</u>	<u>\$ 40,903</u>

**Sources:**

Congoleum Corporation form 10-K for the year ended December 31, 2003 and 10-Q for the quarter ended March 31, 2004;  
 Mohawk Industries form 10-K for the year ended December 31, 2003 and 10-Q for the quarter ended April 3, 2004;  
 Interface International form 10-K for the year ended December 28, 2003 and 10-Q for the quarter ended April 4, 2004;  
 and FT Interactive.

**Exhibit 30**

**CONGOLEUM CORPORATION**  
**Computation of Operating Figures for the Latest Twelve Months**  
 \$000s

	Fiscal Year Ended <u>12/31/03</u>	Three Months Ended <u>03/31/04</u>	Three Months Ended <u>03/31/03</u>	Latest Twelve Months Ended <u>03/31/04</u>
Net Sales	\$ 220,706	\$ 52,000	\$ 53,581	\$ 219,125
Cost of Sales	166,864	38,449	40,914	164,399
Gross Profit	53,842	13,551	12,667	54,726
Selling, General & Administrative	53,206	11,985	13,203	51,988
Operating Income (EBIT)	636	1,566	(536)	2,738
Depreciation & Amortization	11,761	2,891	2,918	11,734
EBITDA	\$ 12,397	\$ 4,457	\$ 2,382	\$ 14,472

**EXHIBIT 30****MOHAWK INDUSTRIES, INC.****Multiples Computation**

As of June 10, 2004

\$000s

	Fiscal Year Ended <u>12/31/03</u>	Three Months Ended <u>04/03/04</u>	Three Months Ended <u>03/29/03</u>	Latest Twelve Months Ended <u>04/03/04</u>
Net Sales	\$ 5,005,053	\$ 1,391,261	\$ 1,084,715	\$ 5,311,599
Cost of Goods Sold	3,645,677	1,035,530	809,919	3,871,288
Gross Profit	1,359,376	355,731	274,796	1,440,311
Selling, General & Administrative	817,347	236,692	196,603	857,436
Operating Income (EBIT)	542,029	119,039	78,193	582,875
Depreciation & Amortization	106,615	31,010	25,049	112,576
EBITDA	\$ 648,644	\$ 150,049	\$ 103,242	\$ 695,451

Common Shares Outstanding (000s) 66,777  
Share Price 6/10/04 \$ 71.20

Market Capitalization 4,754,522  
Interest-Bearing Debt 999,693  
Business Enterprise Value (BEV) \$ 5,754,215

**Multiples:**

BEV / Revenue 1.08x  
BEV / EBITDA 8.27x

## EXHIBIT 31

### CONGOLEUM COMPANY Comparable Transaction Selection Process

#### **Step #1 – Identified the industry to search for comparable companies**

According to the Congoleum financial statements, the company is a vinyl floor covering manufacturer. The company operates in SIC code 3089 – Plastic Products. The companies selected as comparable companies (Mohawk Industries and Interface, Inc.) operate in SIC code 2273 – Carpets & Rugs. Based on this information, a query was designed to locate all target companies in SIC codes 2273 & 3089 that have been acquired in the past three years.

#### **Step #2 – Performed a search by SIC code for comparable transactions**

A search of the Mergerstat database for closed transactions of target companies in SIC codes 2273 and 3089 over the past 3 years revealed 42 deals (4 in SIC code 2273 and 38 in SIC code 3089). None of 4 the deals in SIC code 2273 reported operating figures, thus multiples could not be computed for these data. Of the 38 acquisitions of companies in SIC code 3089, 9 target companies had operating figures and thus remained as potential comparable transactions.

#### **Step #3 – Reviewed business descriptions**

A review of business descriptions eliminated all of the 9 remaining target companies. Each of the eliminated companies was not a manufacturer of floor coverings.

#### **Step #4 – Expanded search for comparable companies**

Based on a review of documents provided, CIBC had generated what appear to be lists of potential comparable transactions at some point in time (Bates Nos. 00636 – 644). Transactions not occurring in the 3-year time frame were eliminated from the merger and acquisition transactions in these working papers. The business descriptions of each of the remaining target companies were reviewed. Of these companies, only one, Dal-Tile International was a floor covering company. Additional documents were provided that included handwritten notes labeled “P. Rubsam Files” and “Meeting w/ SSG Advisors” (Bates Nos. LT001128 – 1132). These notes included four merger and acquisition transactions. Of the four, three were also listed in the CIBC document previously described. The remaining transaction involving Domco-Tarkett was investigated. Domco was not a domestically traded company. Additionally, approximately 74% of Domco had been owned by the acquirer at the end of 2002 (according to the Tarkett Group 2003 annual report). As such, this transaction is not a comparable merger and acquisition transaction.

#### **Step #5 – Reached a conclusion as to the list of comparable companies**

Based on the procedures outlined above, only one transaction was located that proved to be a comparable transaction to Congoleum, the acquisition of Dal-Tile International by Mohawk International announced on November 19, 2001.

**EXHIBIT 32**

**CONGOLEUM CORPORATION**  
**Comparable Transaction Valuation Analysis**

As of June 10, 2004  
\$000s

	<b>Enterprise Value Multiples</b>	
	<u>Revenue</u>	<u>EBITDA</u>
Congoleum Latest Twelve Month Figure	\$ 219,125	\$ 14,472
Dal-Tile International Acquisition Multiple	1.60x	9.00x
Business Enterprise Value (BEV)	350,600	130,248
Less: Interest-bearing debt	(111,237)	(111,237)
Equity Value	<u>\$ 239,363</u>	<u>\$ 19,011</u>

**Sources:**

Congoleum Corporation form 10K for the year ended December 31, 2003 and form 10Q for the quarter ended March 31, 2004;  
CIBC workpapers (Bates Nos. CIBC00636 - 644).



### EXHIBIT 33

“Q: Did you ever have any reason to doubt the reliability or the accuracy of any of the EBITDA numbers that Congoleum provided to Congress Financial?

A: No.”<sup>1</sup>

“Q: And after probing and doing due diligence on the EBITDA numbers, did you come away with any concern about their accuracy.

A: Not that I recall”<sup>2</sup>

---

<sup>1</sup> Deposition of Robert Peter Strack, November 25, 2003.

<sup>2</sup> Deposition of Robert Peter Strack, November 25, 2003.

**EXHIBIT 34****CONGOLEUM CORPORATION**  
**Projected Statements of Operations**  
\$000s

	For the Year-Ended December 31,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net Sales	\$ 234,374	\$ 241,640	\$ 249,131	\$ 256,854	\$ 264,816
Operating Expenses	212,974	219,576	226,383	233,401	240,636
Operating Income (EBIT)	21,401	22,064	22,748	23,453	24,180
Interest expense	(8,906)	(8,906)	(8,906)	(8,906)	(8,906)
Profit (loss) before income taxes	12,495	13,158	13,842	14,547	15,274
Provision for income taxes	4,548	4,790	5,039	5,295	5,560
Net profit (loss)	<u>\$ 7,947</u>	<u>\$ 8,369</u>	<u>\$ 8,804</u>	<u>\$ 9,252</u>	<u>\$ 9,714</u>

**EXHIBIT 34**

**CONGOLEUM CORPORATION**  
**Pro-Forma 2003 Net Sales and Operating Expenses**  
\$000s

	<u>Notes</u>	<u>2003</u>
Reported Net Sales		\$ 220,706
Price increase of 3%	(1)	6,621
Pro-forma Net Sales		<u>\$ 227,327</u>
Reported cost of sales		\$ 166,864
Reported selling, general and administrative		56,911
Reported Operating Expenses		<u>223,775</u>
Less:		
Reduction of labor cost	(1)	(7,000)
Reduction of waste	(1)	(3,500)
Reduction of operating expenses	(1)	(3,000)
Charge to asbestos reserve	(2)	(3,705)
Total Pro-Forma Reductions in Operating Expenses		<u>(17,205)</u>
Pro-Forma Operating Expenses		<u>\$ 206,570</u>
Pro-Forma Operating Expenses as a % of Pro-Forma Net Sales		90.87%

Notes:

- (1) Congoleum press release dated March 11, 2004.  
(2) Congoleum Form 10-K for the fiscal year ended 2003.

**EXHIBIT 35**

**CONGOLEUM CORPORATION**  
**Discounted Cash Flow Valuation**

\$000s

	For the Year Ended December 31,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Projected Net Income	\$ 7,947	\$ 8,369	\$ 8,804	\$ 9,252	\$ 9,714
+ After Tax Interest Expense	5,664	5,664	5,664	5,664	5,664
+ Depreciation and Amortization	12,489	12,877	13,276	13,687	14,112
+/- (Increases)/Decreases in Working Capital	11,807	(975)	(1,006)	(1,037)	(1,069)
- Capital Expenditure	(8,419)	(8,680)	(8,949)	(9,226)	(9,512)
Debt-Free Cash Flows	\$ 29,488	\$ 17,254	\$ 17,789	\$ 18,340	\$ 18,909
Terminal Value					219,045
Discount Period (1/2 year convention)	0.5	1.5	2.5	3.5	4.5
Discount Factor	0.94	0.84	0.75	0.67	0.60
Present Value of Debt-Free Cash Flows	\$ 27,864	\$ 14,557	\$ 13,400	\$ 12,335	\$ 11,355
Present Value of Terminal Value					\$ 131,538
Enterprise Value	\$ 211,049				
Less: Debt	(111,237)				
Equity Fair Market Value Before Asbestos Liability	<u>\$ 99,812</u>				

Weighted Average Cost of Capital	12.0%
Growth Rate	3.1%
Tax Rate	36.4%

# EXHIBIT 35

## CONGOLEUM CORPORATION Projected Cash Flow Figures (\$000s)

	Notes	For the Year Ended December 31,					
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net Sales	(1)	\$ 227,327	\$ 234,374	\$ 241,640	\$ 249,131	\$ 256,854	\$ 264,816
Net Working Capital	(2)	43,274	31,467	32,442	33,448	34,485	35,554
Change in Net Working Capital			(11,807)	975	1,006	1,037	1,069
Depreciation and Amortization	(3)		12,489	12,877	13,276	13,687	14,112
Capital Expenditure	(4)		8,419	8,680	8,949	9,226	9,512

### Notes:

- (1) Net sales is projected to grow at 3.10% per year.
- (2) Net working capital is projected to be 13.43% of net sales, which represents the median of the previous 5 years.
- (3) Depreciation and Amortization is projected to be 5.33% of net sales, which represents the median of the previous 5 years.
- (4) Capital Expenditure is projected to be 3.59% of net sales, which represents the median of the previous 5 years.

**Exhibit 35**

**CONGOLEUM CORPORATION**  
**Historical Cash Flow Figures**  
\$000s

	For the Year Ended December 31,					
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Median</u>
Net Sales	\$ 242,654	\$ 219,575	\$ 218,760	\$ 237,206	\$ 220,706	
Current Assets						
Accounts receivable, less allowance	13,745	25,527	17,932	17,034	13,560	
Inventories	54,599	53,296	55,782	50,725	44,995	
Prepaid expenses and other current assets	3,687	3,966	6,403	7,868	9,672	
Deferred income taxes	3,515	3,637	6,375	7,901	8,752	
Total Current Assets	75,546	86,426	86,492	83,528	76,979	
Current Liabilities						
Accounts payable	19,160	19,617	17,909	14,647	4,544	
Accrued liabilities	30,597	38,844	29,285	33,021	24,655	
Accrued and deferred taxes	4,068	3,651	3,950	4,013	4,506	
Total Current Liabilities	53,825	62,112	51,144	51,681	33,705	
Net Working Capital	21,721	24,314	35,348	31,847	43,274	
% of sales	8.95%	11.07%	16.16%	13.43%	19.61%	13.43%
Depreciation and Amortization	11,038	11,737	12,181	11,273	11,761	
% of sales	4.55%	5.35%	5.57%	4.75%	5.33%	5.33%
Capital Expenditure	18,670	13,925	7,858	8,366	4,628	
% of sales	7.69%	6.34%	3.59%	3.53%	2.10%	3.59%

**EXHIBIT 36**

**CONGOLEUM CORPORATION**  
**Weighted Average Cost of Capital Summary**  
As of June 10, 2004

Company	Cost of Debt	Tax Rate	After-Tax Cost of Debt	Required Return on Equity	Weight of		Weighted Average Cost of Capital
					Debt	Equity	
Congoleum Corporation	15.7%	36.4%	10.0%	21.7%	83.2%	16.8%	12.0%

**EXHIBIT 36**

**CONGOLEUM CORPORATION**  
**Weighted Average Cost of Capital Market Data**

(000s, except per share data)

As of June 10, 2004

Company	Year End	Ticker	Stock Price 6/10/04	Shares O/S	Market Capitalization	Market Value of Interest Bearing Debt	Enterprise Value
Congoleum Corporation	12/31/03	CGM	\$ 2.20	8,260	\$ 18,172	\$ 90,237	\$ 108,409



# EXHIBIT 36

## CONGOLEUM CORPORATION

### Cost of Debt Analysis

(\$000s, except per \$100 face value data)

As of June 10, 2004

Issue	Notes	Price per \$100 Face Value	Yield to Maturity	LTM Book Value	LTM Market Value	% of Total	Weighted Average
<u>Rated Debt Securities:</u>							
8 5/8% Senior Notes Due 2008		\$ 79.00	15.70%	\$ 100,000	\$ 79,000	100.0%	15.70%
<u>Non-Rated Debt Securities:</u>							
Revolving Credit Facility	(1)		4.75%	\$ 11,237	\$ 11,237		
Total Debt				<u>\$ 111,237</u>	<u>\$ 90,237</u>	<u>100.0%</u>	<u>15.70%</u>

Note:

- (1) The revolving credit facility is secured debt resulting from Congoleum's filing for bankruptcy and is neither a long-term source of capital, nor reflective of the company's cost of debt. Therefore, the revolver was not used in estimating Congoleum's cost of debt.

**EXHIBIT 36**

**CONGOLEUM CORPORATION**  
**Required Return on Common Equity Analysis**

As of June 10, 2004

Company	Risk Free Rate (1)	Beta (2)	Expected Risk Premium (3)	Market Capitalization (\$000s)	Decile (3)	Size Premium (3)	Required Return
Congoleum Corporation	5.52%	1.37	7.20%	\$ 18,172	10th	6.34%	21.72%

Notes:

- (1) Represents the yield on the 20-Year Treasury which was obtained from the Federal Reserve Economic Data (FRED) database.
- (2) Represents historical beta which was obtained from Barra.
- (3) Obtained from Stock, Bonds, Bills & Inflation (SBBi) Valuation Edition 2004 Yearbook.

**EXHIBIT 37**

**CONGOLEUM CORPORATION**  
**DCF Valuation - Sensitivity Analysis of Management's Projections**  
 \$000s

	For the Year Ended December 31,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Projected Net Income	\$ 3,684	\$ 3,974	\$ 4,273	\$ 4,581	\$ 4,899
+ After Tax Interest Expense	5,664	5,664	5,664	5,664	5,664
+ Depreciation and Amortization	12,489	12,877	13,276	13,687	14,112
+/- (Increases)/Decreases in Working Capital	11,807	(975)	(1,006)	(1,037)	(1,069)
- Capital Expenditure	(8,419)	(8,680)	(8,949)	(9,226)	(9,512)
Debt-Free Cash Flows	\$ 25,226	\$ 12,860	\$ 13,258	\$ 13,669	\$ 14,093
Terminal Value					163,258
Discount Period (1/2 year convention)	0.5	1.5	2.5	3.5	4.5
Discount Factor	0.94	0.84	0.75	0.67	0.60
Present Value of Debt-Free Cash Flows	\$ 23,837	\$ 10,849	\$ 9,987	\$ 9,194	\$ 8,463
Present Value of Terminal Value					\$ 98,038
Enterprise Value	\$ 160,367				
Less: Debt	(111,237)				
Equity Fair Market Value Before Asbestos Liability	<u>\$ 49,130</u>				

Weighted Average Cost of Capital	12.0%
Growth Rate	3.1%
Tax Rate	36.4%

**EXHIBIT 38**

**CONGOLEUM CORPORATION**  
**Discounted Cash Flow Valuation**  
**Based on Handwritten Notes Marked as "Meeting w/SSG Advisors"**  
 \$000s

	For the Year Ended December 31,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Projected Net Income	\$ (2,050)	\$ (503)	\$ 523	\$ 1,362	\$ 2,246
+ After Tax Interest Expense	5,664	5,664	5,664	5,664	5,664
+ Depreciation and Amortization	12,114	12,720	13,292	13,691	14,101
+/- (Increases)/Decreases in Working Capital	12,753	(1,526)	(1,442)	(1,005)	(1,035)
- Capital Expenditure	(8,166)	(8,574)	(8,960)	(9,229)	(9,506)
Debt-Free Cash Flows	\$ 20,316	\$ 7,781	\$ 9,077	\$ 10,484	\$ 11,471
Terminal Value					132,886
Discount Period (1/2 year convention)	0.5	1.5	2.5	3.5	4.5
Discount Factor	0.94	0.84	0.75	0.67	0.60
Present Value of Debt-Free Cash Flows	\$ 19,197	\$ 6,565	\$ 6,837	\$ 7,051	\$ 6,889
Present Value of Terminal Value					\$ 79,799
Enterprise Value	\$ 126,337				
Less: Debt	(111,237)				
Equity Fair Market Value Before Asbestos Liability	<u>\$ 15,100</u>				

Weighted Average Cost of Capital	12.0%
Growth Rate	3.1%
Tax Rate	36.4%

**EXHIBIT 39**

**CONGOLEUM CORPORATION**  
**Capital Adequacy Analysis**  
 \$000s

	<u>Notes</u>	<u>For the Year Ended December 31,</u>				
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Projected Net Income		\$ 7,947	\$ 8,369	\$ 8,804	\$ 9,252	\$ 9,714
+ Depreciation and Amortization		12,489	12,877	13,276	13,687	14,112
+/- (Increases)/Decreases in Working Capital		11,807	(975)	(1,006)	(1,037)	(1,069)
= Cash Flow from Operations		32,243	20,270	21,074	21,902	22,757
- Capital Expenditure		(8,419)	(8,680)	(8,949)	(9,226)	(9,512)
Total Free Cash Flow	(1)	<u>\$ 23,824</u>	<u>\$ 11,590</u>	<u>\$ 12,125</u>	<u>\$ 12,676</u>	<u>\$ 13,245</u>

Notes:

(1) Assumes 8 5/8% Bond Due 2008 will be refinanced at same terms.

## EXHIBIT 40

“Q: Have you ever heard any discussions from Congoleum that they wouldn’t be able to repay those bonds or roll them over at maturity?

A: No.”<sup>1</sup>

“Q: So it would be fair to say that you haven’t, up until today, expressed any concern about whether or not Congoleum is going to be able to roll over its bonds when they come due or participate in any discussions about that?

A: Yes, that would be fair to say.”<sup>2</sup>

“Q: Based on the financial projections and the other due diligence that you have done, do you envision that Congoleum will continue to be able to pay its debts under the revolver?

A: Yes.”<sup>3</sup>

“Q: Okay. Has there been any point in time up till now where you have been concerned that Congoleum didn’t have enough cash on hand to continue to operate its business?

A: No.”<sup>4</sup>

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<sup>1</sup> Deposition of Robert Peter Strack, November 25, 2003.

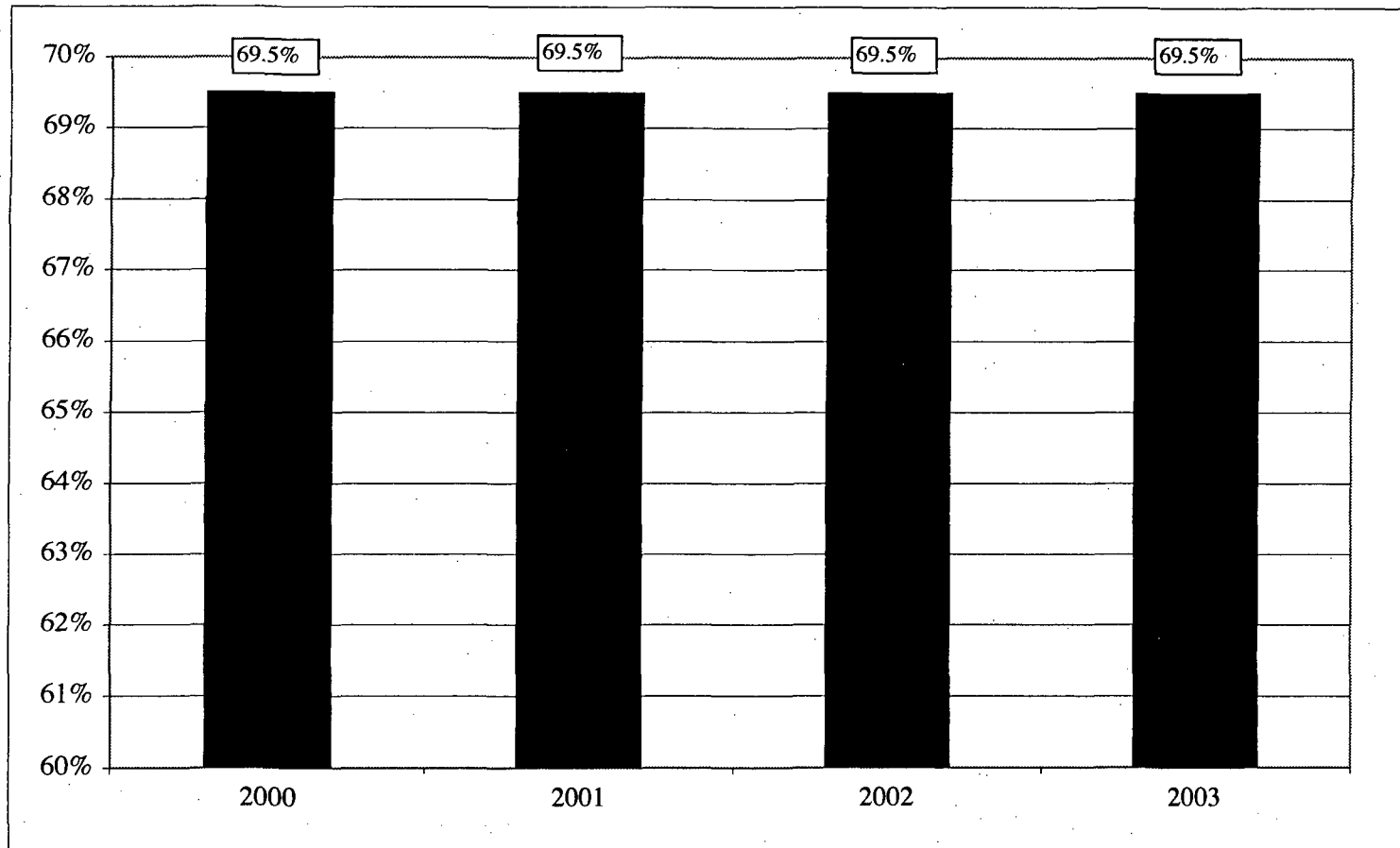
<sup>2</sup> Deposition of Robert Peter Strack, November 25, 2003.

<sup>3</sup> Deposition of Robert Peter Strack, November 25, 2003.

<sup>4</sup> Deposition of Robert Peter Strack, November 25, 2003.

**EXHIBIT 41**

**AMERICAN BILTRITE INC.  
ABI's Voting Control Percentage of Congoleum**



Source: American Biltrite Inc. forms 10-K for 2000-2003

**EXHIBIT 41**

**AMERICAN BILTRITE INC.  
ABI's Ownership of Congoleum Stock**

<u>Date</u>	<u>Class A Common Stock</u>	<u>Class B Common Stock</u>	<u>Voting Control %</u>
12/31/03	151,100	4,395,605	69.5%
12/31/02	151,100	4,395,605	69.5%
12/31/01	151,100	4,395,605	69.5%
12/31/00	151,100	4,395,605	69.5%

Source: American Biltrite Inc. forms 10-K for 2000-2003



**EXHIBIT 42**

**AMERICAN BILTRITE AND CONGOLEUM**  
**Executives with Key Positions in Both Companies**  
As of May 7, 2004

<u>Position</u>	<u>American Biltrite</u>	<u>Congoleum</u>
Chief Executive Officer	Roger Marcus	Roger Marcus
Chairman	Roger Marcus	Roger Marcus
President	Richard Marcus	Roger Marcus
Chief Financial Officer	Howard Feist	Howard Feist
Vice Chairman	n/a	Richard Marcus
Secretary	Henry Winkleman	Howard Feist
Chief Operating Officer	Richard Marcus	n/a
VP of Finance	Howard Feist	Sidhanth Nayar

Source: Yahoo Finance

**EXHIBIT 43**

**AMERICAN BILTRITE INC.**

**Segment Analysis**

For the Year Ended December 31, 2003

\$000s

	<u>Notes</u>	<u>ABI Consolidated</u>	-	<u>Congoleum</u>	=	<u>ABI Only</u>
Revenue	(1)	\$ 416,625		\$ 220,706		\$ 195,919
% of Total				52.97%		47.03%
EBITDA	(2)	16,106		8,692		7,414
% of Total				53.97%		46.03%

Notes:

(1) Revenue and Cost of Products Sold for ABI Only include \$56 of Eliminations

(2) Unadjusted for Asbestos Charges

Source: American Biltrite Inc. 2003 form 10-K

**EXHIBIT 44**

**AMERICAN BILTRITE INC.**  
**ABI Only Projected Statements of Operations**  
 \$000s

		For the Year Ended December 31,				
	<u>Notes</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total Revenue	(1)	\$ 204,272	\$ 210,604	\$ 217,133	\$ 223,864	\$ 230,804
Cost of products sold		135,432	139,631	143,959	148,422	153,023
Gross Profit	(2)	68,840	70,974	73,174	75,442	77,781
Selling, general and administrative	(3)	60,056	61,918	63,837	65,816	67,856
Operating Income (EBIT)		8,784	9,056	9,337	9,626	9,925
Interest		2,670	2,670	2,670	2,670	2,670
Income before income taxes and other items		6,114	6,386	6,667	6,956	7,255
Provision (credit) for income taxes	(4)	2,140	2,235	2,333	2,435	2,539
Noncontrolling interests	(5)	(306)	(316)	(326)	(336)	(346)
Net income from continuing operations		\$ 3,667	\$ 3,835	\$ 4,008	\$ 4,186	\$ 4,369

Notes:

(1) Assumes 3.1% annual growth in revenues per year (Arithmetic Mean of Inflation from 1926 to 2003).

(2) Based on median gross margin percentage observed from 2001-2003 (33.7%).

(3) Based on median selling, general and administrative percentage observed from 2001-2003 (29.4%).

(4) Assumes 35% tax rate based on adding the statutory tax rate (34%) to the median state tax rate observed from 2001-2003 (1%).

(5) Based on median Noncontrolling interests percentage observed from 2001-2003 (-.15%).

**EXHIBIT 45**

**AMERICAN BILTRITE INC.**  
**ABI Only Capital Adequacy Analysis**  
 \$000s

	<u>Notes</u>	<u>For the Year Ended December 31,</u>				
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net Income from Continuing Operations		\$ 3,667	\$ 3,835	\$ 4,008	\$ 4,186	\$ 4,369
+ Depreciation & Amortization		6,537	6,739	6,948	7,164	7,386
+/- Change in Working Capital		(1,086)	(1,230)	(1,268)	(1,307)	(1,348)
= Cash Flow from Operations		9,119	9,345	9,688	10,042	10,407
- Capital Expenditures		(3,881)	(4,001)	(4,126)	(4,253)	(4,385)
Total Free Cash Flow		\$ 5,237	\$ 5,343	\$ 5,563	\$ 5,789	\$ 6,022

**EXHIBIT 45**

**AMERICAN BILTRITE INC.**  
**ABI Only Projected Cash Flow Figures**  
 \$000s

	<u>Notes</u>	<u>For the Year Ended December 31,</u>					
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total Revenue		\$ 198,130	\$ 204,272	\$ 210,604	\$ 217,133	\$ 223,864	\$ 230,804
Net Working Capital	(1)	38,584	39,670	40,899	42,167	43,474	44,822
Change in Net Working Capital			1,086	1,230	1,268	1,307	1,348
Depreciation and Amortization	(2)		6,537	6,739	6,948	7,164	7,386
Capital Expenditure	(3)		\$ 3,881	\$ 4,001	\$ 4,126	\$ 4,253	\$ 4,385

Notes:

- (1) 2004 -2008 net working capital is based on the median net working capital percentage observed from 2002-2003 (19.42%).  
 (2) Depreciation and amortization is based on the median depreciation and amortization percentage observed from 01-03 (3.2%).  
 (3) Capital expenditures are based on the median capital expenditure percentage observed from 01-03 (1.9%).

**EXHIBIT 46**

**Companies Having Prepackaged Chapter 11 Bankruptcy Filings  
Confirmed in 2001 and 2002**

<b>Company</b>	<b>Ch. 11 Date</b>	<b>Confirmation Date</b>
Audio Visual Services	12/17/01	2/27/02
Chiquita Brands, International	11/28/01	3/11/02
Anacomp, Inc.	10/19/01	12/12/01
Regal Cinemas, Inc.	10/11/01	12/12/01
Covad Communications	8/15/01	12/14/01
Drug Emporium, Inc.	3/26/01	8/30/01
Finova Group, Inc.	3/7/01	8/10/01
Imperial Sugar Company	1/16/01	8/7/01
United Artists Theater	9/5/00	1/22/01
Medical Resources, Inc.	4/10/00	2/8/01

Source: bankruptcydata.com

# EXHIBIT 47

## CONGOLEUM CORPORATION Prepackaged Bankruptcy Filings 2001-2002

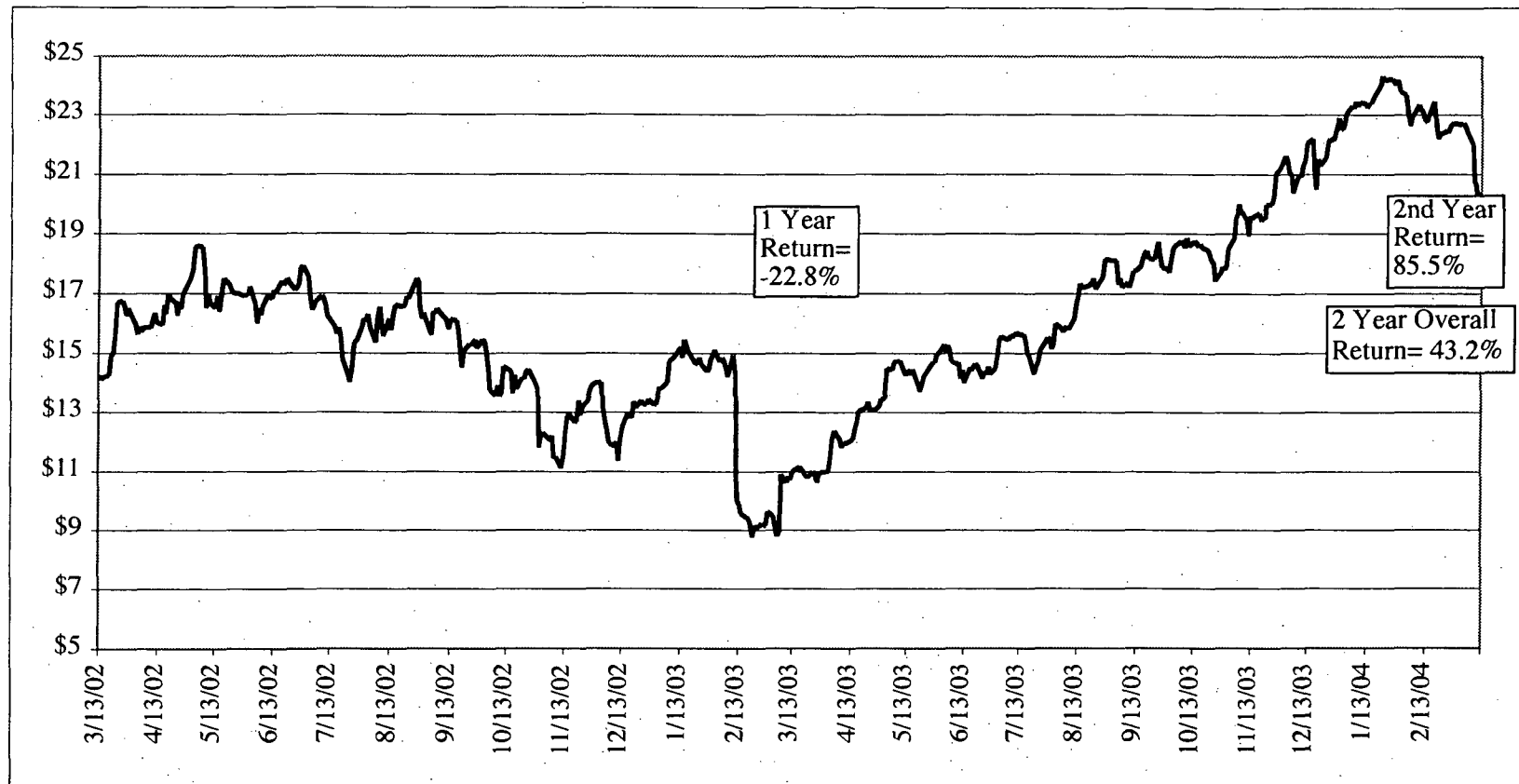
Stock Price Performance Subsequent to Confirmation Date

<u>Company</u>	<u>Confirmation Date</u>	<u>1 Year Return</u>	<u>2<sup>nd</sup> Year Return</u>	<u>2 Year Overall Return</u>
Anacomp, Inc.	12/12/01	The common stock was canceled after a former creditor took control of the company.	n/a	n/a
Audio Visual Services	2/27/02	The company was reorganized as a private company and all of its outstanding shares of common stock were canceled.	n/a	n/a
Chiquita Brands, International	3/11/02	<b>-22.8%</b>	85.5%	43.2%
Covad Communications	12/14/01	<b>-28.7%</b>	244.1%	145.5%
Drug Emporium, Inc.	8/30/01	100% of the reorganized Drug Emporium capital stock was sold to a competitor. No distribution was made to Drug Emporium's shareholders and all existing Drug Emporium shares were canceled.	n/a	n/a
Finova Group, Inc.	8/10/01	<b>-97.7%</b>	279.7%	-91.3%
Imperial Sugar Company	8/7/01	<b>-37.5%</b>	184.8%	78.0%
Medical Resources, Inc.	2/8/01	<b>-93.5%</b>	-90%	-99.4%
Regal Cinemas, Inc.	12/12/01	Debtholders took control of the company and the stock did not trade subsequent to the confirmation date.	n/a	n/a
United Artists Theater	1/22/01	Privately held company, they did not have publicly traded stock subsequent to the confirmation date.	n/a	n/a

Sources: bankruptcydata.com, FT interactive, Lexis-Nexis.

EXHIBIT 47

CHIQUITA BRANDS, INTERNATIONAL  
**Stock Price Performance After Bankruptcy Confirmation**  
Two Year Performance Subsequent to Confirmation Date

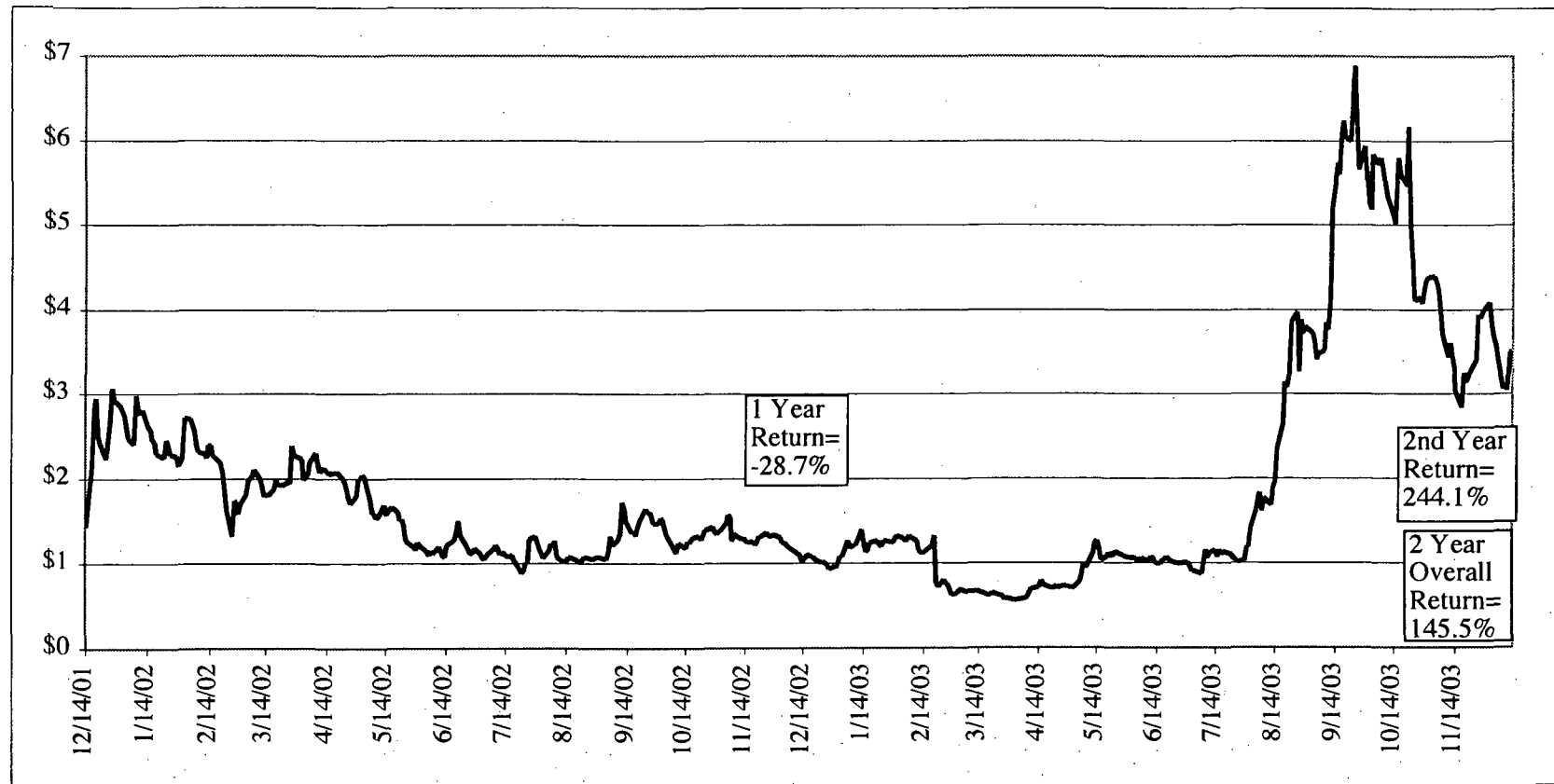


Note: Confirmation Date was March 11, 2002 for Chiquita Brands, International.  
Source: Stock Data from FT Interactive.



EXHIBIT 47

COVAD COMMUNICATIONS  
**Stock Price Performance After Bankruptcy Confirmation**  
Two Year Performance Subsequent to Confirmation Date

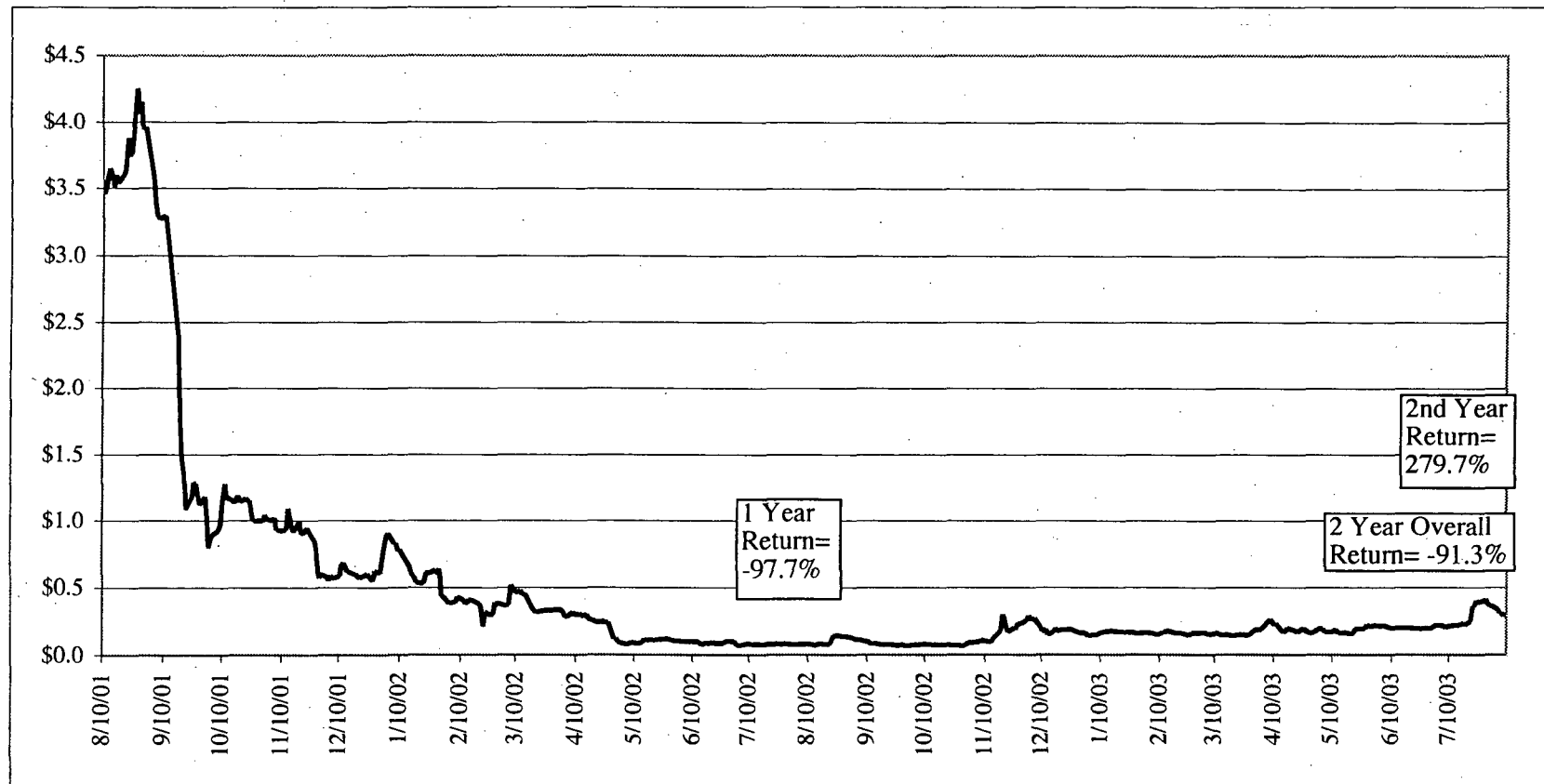


Note: Confirmation Date was December 14, 2001 for Covad Communications.

Source: Stock Date from FT Interactive.

**EXHIBIT 47**

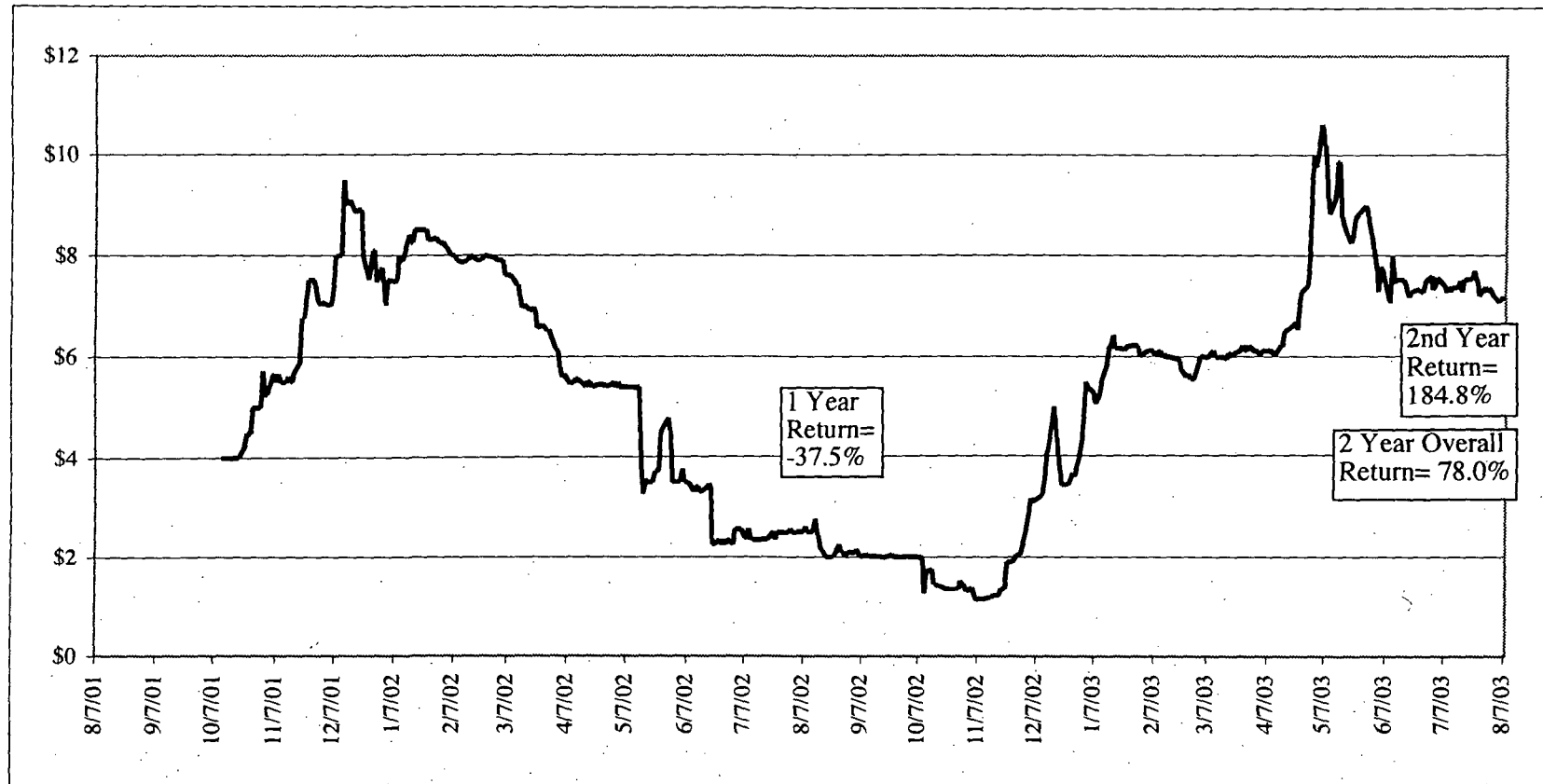
**FINOVA GROUP, INC.**  
**Stock Price Performance After Bankruptcy Confirmation**  
Two Year Performance Subsequent to Confirmation Date



Note: Confirmation Date was August 10, 2001 for Finova Group, Inc.  
Source: Stock Data from FT Interactive.

**EXHIBIT 47**

**IMPERIAL SUGAR COMPANY**  
**Stock Price Performance After Bankruptcy Confirmation**  
Two Year Performance Subsequent to Confirmation Date



Note: Confirmation Date was August 7, 2001 for Imperial Sugar Company. The new stock began trading on October 10, 2001.  
Source: Stock Data from FT Interactive